LIFE INSURANCE

TOP TRENDS 2023

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FOREWORD

In a complex macroeconomic environment characterized by slow growth, increasing volatility, high inflation, and rising interest rates, life insurance reinvention will continue as the industry strives to bolster its relevancy. Pushed by current geopolitical and financial challenges, we expect life insurers to remain hyperfocused on system modernization, digital transformation, and innovation.

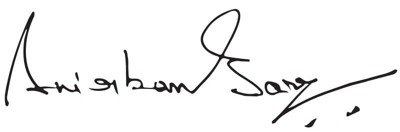
High demand for life insurance and increased worldwide risk awareness sparked by the pandemic have encouraged carriers to personalize solutions and focus on bettering customer lives through financial wellness. In addition, today's uncertain environment and rising interest rates are stoking demand for guaranteed savings products to help life insurers boost profitability.

Capgemini explored these dynamics in 2022 and launched the inaugural World Life and Health Insurance Report, which took a deep dive into the wellness revolution and its potential impact on insurers' growth.

As innovation continues to accelerate, the digital gap between property and casualty insurers and life insurers will likely shrink. While InsurTechs have yet to make significant inroads in life insurance, we expect to see scaled-up, new-age players enthusiastically answer rising demand for convenience and personalized digital, cloud, and customer-centric approaches. Big Tech is also likely to increase its focus on the sector, particularly as an enabler of innovation and more effective distribution.

In 2023, we anticipate the life insurance industry will continue and even accelerate its digitalization journey to create deeper customer-centric propositions, built on personalized engagement enabled by cutting-edge technologies. Therefore, expect firms to invest in intelligent automation, distribution, and cloud solutions.

As we enter into a year with many surprises to come, I hope that Life Insurance Top Trends 2023 offers practical tools to navigate the complex scenarios ahead and help prepare your organization for the future of insurance.



Anirban Bose
Financial Services Strategic Business Unit CEO
& Group Executive Board Member, Capgemini

INTRODUCTION

After a significant surge in premium growth in 2021 and a slowdown in 2022, the life insurance sector faces a complex macroeconomic environment for 2023. On one side, interest rate hikes may make life insurance propositions more attractive than direct investment in equity. However, at the same time inflation is driving pressure on disposable income, and financial market volatility is likely to impact demand negatively. In this environment, the most future-focused life insurers will redouble efforts to pursue operational excellence and accelerate digital transformation to maximize personalization.

ECONOMIC CHALLENGES AND LIFE INSURANCE GROWTH

A volatile global economy, falling disposable income, and hockey-stick inflation will undoubtedly affect life insurance premiums.

- The International Monetary Fund lowered its global growth forecast for 2022 and 2023 to 3.2% and 2.9%, respectively, down from greater than 6.0% in 2021. Therefore, insurance growth – which correlates to gross domestic product, or GDP – is apt to slip.[1]
- Global inflation rose dramatically, to around 8.0% in 2022 versus 4.7% in 2021, putting considerable pressure on insurance claims and rates in the coming quarters.[2]
- Central banks are hiking interest rates to control inflation, which will positively impact life investment returns to counterbalance equity investment pressure, at least partially.

Based on rising interest rates, we anticipate moderate life sector profit gains in 2023, with underwriting discipline as a key performance driver.

- Return on operating revenues is estimated to improve to 4.3% in 2022, compared with 3.5% in 2021. In 2023, the average rate of return is projected to reach 5% in all major regions, supported by investment gains and despite higher mortality claims, according to a Swiss Re report.[3]
- Global premiums will contract slightly, by 0.2% in real terms in 2022, as compared to 4.5% in 2021, reaching more than USD3 trillion. However, Swiss Re also forecasts that global life premium growth will recover to 1.9% in real terms in 2023 as inflation pressures ease and economic conditions improve.[4]

MARKET DYNAMICS

During H1 2022, the 15 largest life insurers worldwide reached a cumulative market cap of nearly USD825.5 billion.[5] However, this market valuation represented a 21% dip in capitalization and underperformed global markets, which dropped 14% in the same period.[6] The decline sparked ongoing concern about slow growth, subdued operating performance, and unpredictable financial returns.

InsurTech funding and valuation declined considerably in 2022, although less severely for life specialists than across the overall InsurTech space. Life InsurTech firms raised USD918 million in Q2 2022, down 35% from Q2 2021, and deals slumped 3%, according to a Gallagher Re report.[7] Heightened scrutiny on growth and profits, a sluggish funding environment, and challenging macroeconomics drove InsurTech devaluation.

Despite worldwide inflation, geopolitical disruption, and talent shortages, insurance industry digital transformation is not likely to ebb. Gartner says sector IT investments are on track to reach a 6.4% CAGR (2021 to 2025) – USD271 billion in 2025 versus USD210 billion in 2021.[8]

LOOKING BACK AT 2022

Last year, the industry navigated a complex environment with high-impact headwinds. Nonetheless, several of our Life Insurance Top Trends 2022 projections hit the mark:

- We anticipated a growing focus on digitizing traditional distribution channels, and now more and more life insurers are empowering agents with advanced digital capabilities.
- We highlighted insurers' collaborative foray into embedded solutions, and now embedded insurance is creating seamless customer experiences that boost growth among underserved customer segments.
- We also anticipated adopting alternate data sources and the cloud to gain operational agility and generate actionable customer insights. Today, life insurers leverage these technologies to drive innovation and operational excellence by automating and streamlining critical internal processes – for example, underwriting.

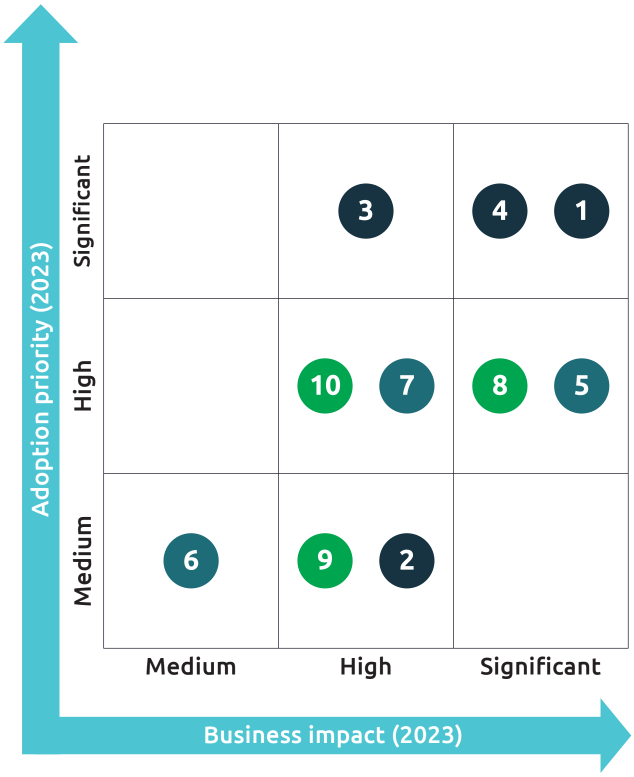
TOP TRENDS FOR 2023

Against this complex backdrop, we explore 10 life insurance trends across three broad themes:

- **Customer-first:** Insurers will bolster customer centricity by addressing consumer/commercial interests or pain points, welcoming new policyholder segments, and prioritizing risk prevention.
- **Intelligent industry**: Digital technologies will impact revenue streams across the value chain.
- **Enterprise management:** Strategic organizational priorities will focus on new and evolving insurance risks, such as sustainability, cyber threats, and metaverse frontiers.

Exhibit: Top trends in life insurance 2023 – Priority matrix

Customer first	
1	Agents empowered with advanced digital capabilities increase productivity and customer engagement
2	Ecosystem partnerships offer a path to innovative financial value propositions
3	Embedded life insurance offers convenient right-time, right-channel accessibility
4	Wellness-as-a-Service initiatives deepen customer engagement
Intelligent industry	
5	Insurers move to cloud-based operations to drive innovation, operational excellence
6	Life insurers are targeting younger populations with relevant products and digital customer experience
7	Real-time use of alternate data helps automate and streamline underwriting
Enterprise management	
8	Insurers make sustainability a strategic corporate priority
9	Microservices unlock new insurance ecosystems and improve the customer journey
10	Core system modernization powers up life insurance innovation



Source: Capgemini Research Institute for Financial Services Analysis, 2022

The matrix presents Capgemini's view of 2023 trend prioritization in an operating environment that includes:

- Rising inflation and interest rates, coupled with stagflation trends
- Operational disruption due to geopolitical instability
- Intense competition and increased focus on customer centricity due to the entry of new-age players;
- Operational cost overruns and high capital lock-in
- Dynamic regulatory activity.

Adoption priority refers to the urgency of adopting a 2023 trend to maximize value creation because of its sector importance.

Business impact represents the influence of a trend on the life insurance sector's 2023 business as it relates to customer experience, operational excellence, regulatory compliance, or profitability.

Circumstances will vary for each firm depending on business priorities, geographic location, and other factors. For more information, don't hesitate to contact us at insurance@capgemini.com.

TREND 1

AGENTS EMPOWERED WITH ADVANCED DIGITAL CAPABILITIES INCREASE PRODUCTIVITY AND CUSTOMER ENGAGEMENT

Agents with access to digital tools can help insurers handle customer requirements quickly and efficiently.

CONTEXT

Agents are crucial to life insurance sales because they directly engage with customers and are considered trusted advisors. As customer expectations for seamless experiences evolve, life insurers that equip their agents with digital tools can provide better customer service and promote their products to a broader population.

CATALYSTS

As social distancing discouraged in-person meetings, it became crucial for life insurers to support agents with digital engagement tools. Customers now rely on that convenience and increasingly expect digital interactions.

- Innovative digital engagement methods offer life insurers and agent networks an opportunity to expand distribution to a broader group of customers.
- New-age tools give life insurers better visibility into agents' sales and engagement activities while helping agents make data-driven decisions to offer customers more personalized services.
- Widespread technology adoption by customers of all ages has raised the bar for policyholder expectations and demand for a seamless experience.

IN A NUTSHELL

- Life insurers are developing predictive sales tools to enable agents to make data-driven decisions and serve customers more knowledgeably. US-based life insurance marketplace Sproutt launched SmartLife for Agents. This platform uses proprietary predictive data analytics and artificial intelligence to holistically help independent agents gain insights into customers' unique coverage needs.[9]
- Insurers leverage ecosystem partnerships to ensure financial inclusion by expanding their distribution outreach. State-owned Life Insurance Corporation of India (LIC) partnered with the popular online marketplace Policybazaar.com to digitally promote its products and target India's untapped middle class and millennials through the aggregator's platform.[10]

Figure 1. Digitally-equipped agents are more fruitful and efficient

- Real-time customer data for a superior CX
- Better customer relationship management
- Effective sales and engagement monitoring
- Better cross-selling and upselling

Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

In 2023 and the years ahead, we expect insurers to offer agents more access to real-time customer data and tools that boost CX and increase policyholder retention. Agent interactions through remote digital channels will offer an effective human connection long after the pandemic that will deepen customer relationships and increase customer lifetime value.

This shift will provide material benefits for insurers. With advanced analytics tools that capture sales and engagement activities by agents, insurers can devise the strategies and support required to increase sales effectiveness. In turn, this will improve digital distribution, increase agents' sales performance, and lead to higher revenues for insurers.

Today, customers face multiple disconnected touchpoints to purchase a complex insurance product virtually. Insurers can empower their agents with video collaboration tools to talk with clients about their needs and objectives, provide advisory services, share documents and digitally sign them – all in a single touchpoint. This convenient environment will significantly enhance the purchase experience."

Natalie Myshkina
Head of FS Industry, Document Cloud, Adobe USA
New York

TREND 2

ECOSYSTEM PARTNERSHIPS OFFER A PATH TO INNOVATIVE FINANCIAL VALUE PROPOSITIONS

Insurers will collaborate with ecosystem partners to offer personalized experiences to help policyholders achieve long-term financial goals.

CONTEXT

Life insurance is a strong pillar towards financial stability.

- Carriers will leverage ecosystem players to educate customers throughout their financial planning and protection journeys.
- Collaboration allows life insurers and ecosystem players to leverage each other's strengths while expanding business opportunities and rapidly innovating – with insurers bringing depth and complexity of the offers and new-age players bringing last-mile reach, segmentation of the population, and the modern CX.

CATALYSTS

The global pandemic has heightened awareness of mortality and the importance of financial security.

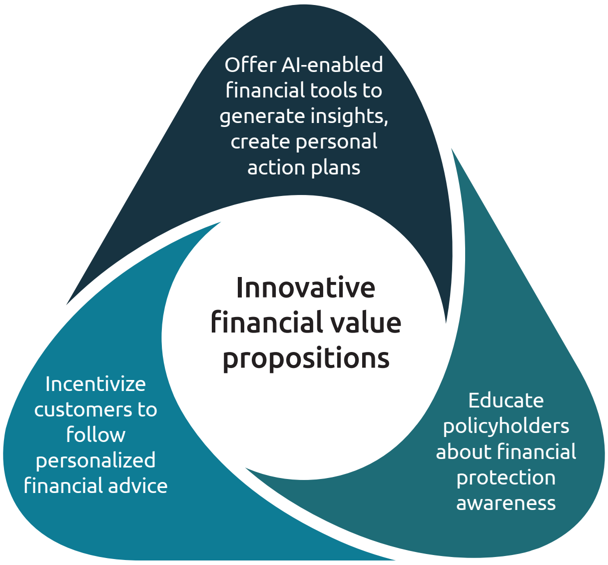
- To meet customers' evolving needs and expectations, life insurers are developing financial value propositions – integrated combinations of products, ecosystems, and planning tools – to help customers understand, plan, and prepare for their financial security and life milestones.
- Increased life expectancy has intensified pressure on governments and social services, helping to illustrate why individual financial wellness plans are increasingly essential.
  - » Global life expectancy was 72.98 years in 2022, a 0.24% increase from 2021.[11] By 2030, one in six individuals globally will be 60 or older; by 2050, those 60 and older will double to 2.1 billion. The number of people aged 80 years or older is on track to triple between 2020 and 2050 to reach 426 million.[12]
  - » A 50% increase in public debt in the last 20 years compounds the burden.
- Anxiety spurred by financial issues including inflation, debt, and lack of adequate savings, negatively affects individuals' physical, mental, and emotional health.
- Lack of financial preparedness for unforeseen and unexpected life events has increased life insurance demand. A survey by the not-for-profit trade association LIMRA asserts that 44% of US households would face financial hardship within six months following the death of the primary wage earner.[13]

IN A NUTSHELL

Life insurers are developing AI-enabled financial tools to generate insights that help customers track their financial goals and create personalized action plans.

- Examples of financial ecosystem solutions include:
  - » India-based Max Life Insurance partnered with Big Tech Amazon's subsidiary Amazon Web Services (AWS) to enable faster and more personalized digital services, like automated claims and disbursals, automated issuance of new insurance policies, and online premium payment options.[14]
  - » Guardian Life Insurance Company of America partnered with Atidot to create an insurance platform that uses AI and ML to power data-driven decision-making that streamlines development, underwriting, marketing, and distribution processes.[15]
  - » MetLife launched *Upwise*, a free app designed to connect consumer behavior around common financial concerns — monthly budgeting, paying off debt, or saving for the long term — that helps consumers build positive financial habits. The app's Money Mood tool also assesses a consumer's disposition to evaluate their relationship with money.[16]
- Life insurers are developing education programs in collaboration with ecosystem players to promote awareness of financial well-being among the younger population. US-based Principal Financial Group partnered with financial literacy company iGrad to leverage the latter's Enrich financial wellness platform and offer comprehensive financial education resources to college students and recent graduates. The tool evaluates users' strengths and challenges to provide personalized guidance.[17]

Figure 2. Ecosystem collaboration can help life insurers create positive financial outcomes for policyholders



Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

By offering customers incentives such as rewards and policy discounts for healthy financial behavior, life insurers will earn trust— leading to better and deeper customer relationships. To do this, expect life insurers to make significant investments in 2023 to beef up their financial ecosystem propositions and to evolve from transactions to relationships. In turn, this will require expanding their core expertise to include risk prevention and value-added services.

As a result, tracking and analyzing policyholders' financial habits will allow insurers to design personalized action plans supporting financial wellness, offer a better CX, and increase the relevancy of life insurance.

Successful insurers will create an ecosystem that seamlessly integrates with partners. Some firms have already created an ecosystem manager role."

Carlos Rodríguez García
Head of L&H Innovation, Cooperation Models, Underwriting and Claims
Southern Europe and Latin America, Munich Re, Madrid, Spain

TREND 3

EMBEDDED LIFE INSURANCE OFFERS CONVENIENT RIGHT-TIME, RIGHT-CHANNEL ACCESSIBILITY

Embedded insurance creates seamless customer experiences that boost growth among underserved customer segments.

CONTEXT

Embedded insurance offers life insurers the opportunity to reach new customers and bridge the protection gap. In addition, collaboration allows insurers and ecosystem players to leverage the other's strengths while expanding business opportunities.

- With the advent of embedded insurance processes, life insurers can serve untapped markets by providing services like credit life insurance, hospicash, and personal accident insurance without having to rely on costly distribution channels.
- However, the transition to embedded insurance is not as straightforward as it appears. Life insurance products, where health and behavioral considerations are important, require complex underwriting and can be difficult to implement.
- As millennials are increasingly buying life insurance while sharing their personal data, life insurers are revisiting their product offerings and creating a parallel technology stack to provide integrated insurance services.

CATALYSTS

Fast-changing customer behavior, the complexity of buying insurance, and advanced technology are driving embedded insurance implementation.

- Increasing competition from non-traditional players offering insurance makes it critical for life insurers to tap the underserved market. According to Capgemini's World InsurTech Report 2021, at least 50% of policyholders are willing to buy coverage – including embedded insurance products – from Big Techs, product manufacturers, and InsurTechs.[18]
- A wide swath of uninsured and underserved populations do not have access to life insurance. A LIMRA survey found that about 40% of adults, or 102 million individuals, in the United States are uninsured or underinsured.[19]

IN A NUTSHELL

Life insurers are developing solutions to help companies cross-sell life insurance coverage within their ecosystems through seamless software integrations that take minimal time and resources. Examples of carriers making collaborative inroads in cross-selling insurance and financial offerings include:

- Online InsurTech Bestow launched a suite of embedded insurance solutions that enable FinTechs, financial institutions, and others to bundle life insurance within their existing customer ecosystem. Integration takes as little as a day to launch and allows partners to embed a fully-hosted, digital term-life insurance buying experience.[20]
- And with third-party ecosystem collaboration, life insurers can offer financial protection to underserved markets.
  - New York-based online marketplace Policygenius teamed up with SEC-registered WealthTech Facet Wealth to enable the latter's network of certified financial planners to sell life insurance. End-to-end insurance solution Policygenius Pro offers partners exclusive access to various insurers, coverage types, and policy options, including accelerated underwriting offerings.[21]
  - The India-based subsidiary of DBS Bank partnered with Bajaj Allianz Life Insurance to offer term, savings, retirement, and investment products to DBS customers at 550 branches.[22]
  - Hong Kong-based life insurer FWD Group forged a distribution alliance with travel and leisure e-commerce platform Klook in Singapore to launch integrated accident insurance offered through Klook's website and app. FWD launched short-term accident coverage in Singapore in 2022 and plans expansion in other Southeast Asian markets.[23]

Figure 3. Embedded insurance as a strategic game changer that boosts CX

What's so attractive about embedded insurance?

FOR LIFE INSURERS	FOR CUSTOMERS
Accessing new markets and an expanded customer base	Personalized offerings
Reaching customers at the right time and place	Quick and hassle free insurance purchase
Opportunity to cross-sell through bundling	Comprehensive coverage and convenient CX

Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

In 2023, carriers will make strategic investments in product innovation, API capabilities, and InsurTech relationships to capitalize effectively on embedded insurance and bridge the coverage gap.

- New partnership opportunities will be created, enhancing value propositions and building new revenue streams for both insurers and their ecosystem partners.
- These investments will also help insurance firms lower distribution costs and acquire new customer data, while at the same time boosting product innovation and reducing underwriting risks.

Ecosystems and embedded insurance are about getting the customer to buy coverage where and when they need it. Here insurance is neither bought nor sold; it becomes invisible."

Denise Garth
Chief Strategy Officer, Majesco, Omaha, Nebraska
USA

TREND 4

WELLNESS-AS-A-SERVICE INITIATIVES DEEPEN CUSTOMER ENGAGEMENT

Future-focused life insurers are reevaluating longstanding value propositions and adding wellness as a customer engagement pillar.

CONTEXT

Wellness-as-a-Service offers a flexible model for life insurers seeking to align their businesses with shifting user needs and unlock a new era of growth and profitability.

- These models allow insurers to understand customer behaviors and engage more frequently through personalized services.
- Insurers can reinvent their customer value propositions by promoting risk prevention through a deeper understanding of customer needs and more frequent engagement.

CATALYSTS

Recent and ongoing events heightened awareness of mortality and the need for greater physical and financial well-being due to economic uncertainty.

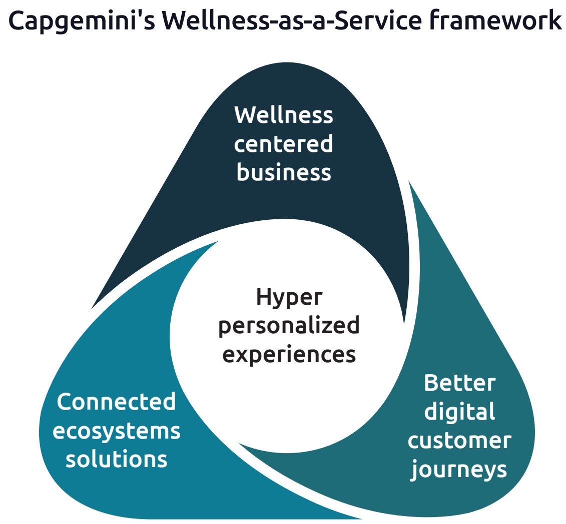
- The World Life & Health Insurance Report 2022 found that 68% of surveyed customers were interested in new wellness offerings, with 65% taking positive steps to achieve it (e.g., exercising, monitoring their financial budgets and spending, tracking health metrics).[24]
- The worldwide retirement savings gap in 2021 reached USD93 trillion.[25]
- Wellness competition from Big Techs, FinTechs, HealthTechs, and dominant wellness players, including banks and supermarkets, is heating up.
- The expanded use of activity-tracking devices like wearables and budgeting trackers has sparked consumer interest in wellness, inviting them to live better lives.

IN A NUTSHELL

Life insurers are developing artificial intelligence-enabled and data-driven wellness tools to generate insights that help customers track their fitness goals and create personalized action plans.

- Examples of insurers setting digital trends include:
  - Chubb launched LifeBalance, a 360-degree health and well-being app using AI to empower users to lead healthy lifestyles with a personalized virtual coach. The app helps users set goals with real-time health score changes based on lifestyle choices, indicating overall health and well-being.[26]
  - In Thailand, Krungthai-AXA Life Insurance partnered with San Francisco-based virtual assistant developer Sensely to integrate chatbot/avatar technology and health solutions into its digital solution Emma by AXA. The Emma avatar uses conversational AI to offer policyholders instant access to a range of convenient healthcare services and policy information in one application.[27]
- Developing a data-driven culture around interconnected wellness ecosystems significantly enhances the success of Wellness-as-a-Service solutions.
  - Capgemini helped an APAC-based global insurer partner with Zürich-based dacadoo. As a result, the life insurer integrated the Swiss HealthTech's Digital Health Engagement Platform (DHEP) to offer policyholders personalized insights and rewards for healthy physical and financial behaviors. The insurer's platform uses AI, data analytics, and gamification to motivate consumers to adopt and maintain medically and financially beneficial habits.
  - In the UK, InsurTech Yulife offers a well-being app that uses behavioral science and gamification to enhance customers' physical and mental well-being via YuCoin rewards that they can exchange for vouchers and discounts.[28]

Figure 4. Wellness-as-a-Service enables a win-win proposition for life insurers and policyholders



Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

As insurers transcend the claim payer's role in 2023 and beyond to become risk preventers, wellness providers, and partners for healthier living, customer engagement and loyalty will increase. Engaging with ecosystem partners like wellness providers, hospitals, banks, pharmacies, and retailers will enable wellness solutions to scale faster, helping life insurers capitalize on B2B2C opportunities by expanding the range of services offered.

A Wellness-as-a-Service framework can enable insurers to advance from a focus on transactions to one that builds relationships via hyper personalized experiences; this improved CX will be enabled by superior customer journeys, innovative wellness initiatives, and connected ecosystem solutions. As personalized services boost policyholders' physical fitness and general health, insurers will boost retention, reduce claims, and increase risk assessment and pricing accuracy.

The most strategic life insurers will invest in advanced predictive technologies, ecosystem partnerships, and new data sources to promote healthy behaviors.

Insurers should proactively provide wellness offerings throughout the customer lifecycle rather than waiting for policyholders to reach out at pre-defined touchpoints."

Emmanuel Mendoza
Chief Technology Officer, AIA,
Philippines

TREND 5

INSURERS MOVE TO CLOUD-BASED OPERATIONS TO DRIVE INNOVATION, OPERATIONAL EXCELLENCE

Cloud solutions enable carriers to fuel operational excellence and improve customer experiences.

CONTEXT

Cloud adoption enables life insurers to create a future-ready digital infrastructure that facilitates operational agility and innovation.

- Carriers find the cloud to be increasingly relevant. An Aite-Novarica study revealed that 90% of insurers expanded their use of cloud computing in 2021, compared with about 70% in 2018.[29]
- Embracing the cloud helps streamline critical insurance functions including underwriting, claims processing, fraud detection, and customer service.
- The cloud's flexibility helps insurers develop new propositions quickly and experiment frequently, expediting improved go-to-market strategies.

CATALYSTS

Major cloud providers offer increasingly tailored offerings for the life insurance sector thanks to the significant economies of scale they can achieve.

- The cloud allows life insurers to increase security, scalability, and cost-saving, particularly around core pricing, underwriting, and claims processes. It also helps to simplify and digitize the onboarding process for complex life products and to cater to evolving customer expectations.
- Legacy systems – with data in siloes – have historically been a key barrier to innovation in the life insurance sector; transitioning to the cloud not only removes the need for expensive maintenance but unlocks the development and deployment of innovative personalized coverage.
- With remote working becoming a post-pandemic norm, insurers with cloud capabilities can run day-to-day operations seamlessly.

IN A NUTSHELL

Life insurers use the cloud as a strategic differentiator to accelerate digital transformation, automate operations, and create more frictionless CX.

- Canadian insurer Sun Life selected Amazon Web Services (AWS) as its long-term strategic cloud technology provider to become a cloud-first organization and develop capabilities to build and scale new platforms quickly. As part of the relationship, Sun Life will also launch an immersive cloud skills training program for employees.[30]
- India-based Bharti AXA Life Insurance formulated a cloud strategy to migrate all workloads, including applications, data, and infrastructure, onto the cloud to drastically reduce the time to market for launching new apps and capabilities.[31]
- US-based insurer MassMutual launched Haven Technologies, an advanced cloud-native InsurTech platform for the life insurance, fixed annuities, and disability industries. The platform enables faster set-ups, easier integrations, enhanced visibility, and customization for insurance carriers.[32]

Figure 5. Cloud-based operations can create a future-ready digital infrastructure

Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

Expect the cloud-based operations trend to accelerate in 2023. This will require insurers to prioritize efficiently tasks and processes that will need to migrate from legacy platforms to the cloud. This transition will enable successful insurers to seize new market opportunities, enhance security, and improve customer responsiveness. Benefits from adopting the cloud for core insurance systems will include substantially reducing maintenance costs, augmenting infrastructure resiliency, and speeding up cost-effective product development.

TREND 6

LIFE INSURERS ARE TARGETING YOUNGER POPULATIONS WITH RELEVANT PRODUCTS AND DIGITAL CUSTOMER EXPERIENCE

A simplified application process and welcoming, not daunting, customer experience help carriers attract busy millennials.

CONTEXT

Millennials, those born between 1981 and 1996, represent a significant market opportunity for the life insurance industry. Nearly half (47%) of this segment, representing 34 million US adults, say they need – or need more – life insurance.[33]

- However, complicated purchasing processes can turn off younger populations who want seamless, intuitive, and personalized experiences similar to what other industries offer – such as during Big Tech online shopping.
- Life insurers offering accelerated underwriting, enhanced digital communication, and simplified digital products that individuals can purchase quickly will boost CX and attract new policyholders.

CATALYSTS

As the dissemination of real-time information through digital channels increases, young populations are becoming aware that life insurance can be a valuable financial planning tool. Yet, only 10% of millennials in the US say they have enough life insurance to cover their family's needs.[34]

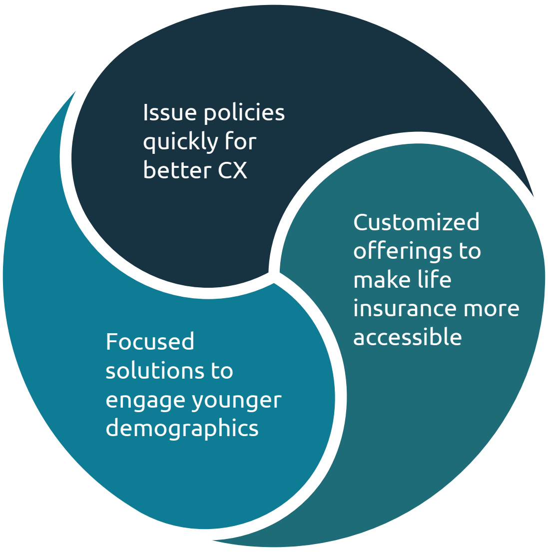
- COVID-19 increased millennials' interest in life insurance because many have minor children to consider and outstanding high mortgage debt to cover. A LIMRA survey found that 45% of American millennials are more likely to buy life insurance because of COVID-19.[35]
- Traditionally, life insurance is considered expensive and complex to understand, and accompanied by the misconception that it doesn't provide any tangible value for individuals without any dependents.
- Complexities in purchasing life insurance, including a medical examination before policy issuance, often act as a deterrent for individuals planning to buy life insurance. A survey by Texas-based USAA Life Insurance reported that about 58% of US citizens said cost was the single most crucial factor when deciding on a life insurance company, and 24% cited not requiring a medical exam.[36]
- Younger insurance applicants seek convenience and simplicity while considering or applying for a policy.

IN A NUTSHELL

Many carriers are strategically educating millennials about how affordable and accessible life insurance is, and how it can help young families protect their future financial security.

- Insurers that simplify the application process with digital products can offer a seamless customer experience.
  - » UK-based life insurance broker Reassured launched a digital platform with a buy-now process based on a single underwriting question set, with the flexibility for customers to either buy online or seek assistance from a Reassured agent. Reassured developed the solution in collaboration with UK InsurTech The IDOL and six other major insurers.[37]
  - » Online InsurTech Bestow partnered with financial services firm Equitable Advisors to launch a digital term-life insurance solution, Term-in-10, assisted by Equitable agents. Thanks to the Bestow platform, a new customer's life insurance purchase experience takes about 10 minutes.[38]
- Carriers are developing focused solutions to engage younger demographics and make life insurance more accessible.
  - » Canadian InsurTech Walnut Insurance introduced holistic digital wellness subscriptions that are simple and quick to obtain; these were specifically designed to engage younger demographics who may benefit from acquiring life insurance earlier but are currently underserved in the market.[39]
  - » In the United States, Progressive Insurance partnered with Fidelity Life to launch a one-year term-life product for first-time life insurance buyers and those seeking protection without a long-term commitment. The solution offers young customers flexibility and purchase convenience.[40]

Figure 6. A comprehensive digital experience creates deeper connections, brand loyalty, and retention



Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

In 2023, we expect carriers to develop digital platforms and to digitally empower agents to attract young, tech-savvy customers seeking a convenient life insurance purchase path. More life insurers will focus on compelling CX and interactive engagement strategies to create deeper connections and improve brand loyalty and retention.

Digital offerings with fewer purchase steps will lead to faster underwriting, approval, and policy issuance. At the same time, a shorter application process and no medical exam (which previously took up to several weeks) can significantly improve customer experience.

With easier-to-buy, innovative insurance solutions, carriers can expand to include financial protection and offer new products that fit millennials' needs as they progress through various life stages.

TREND 7

REAL-TIME USE OF ALTERNATE DATA HELPS AUTOMATE AND STREAMLINE UNDERWRITING

By integrating real-time data from third-party information sources, life insurers have a unique opportunity to transform the underwriting process.

CONTEXT

By using alternate data sources when and where needed, life insurers can speed up underwriting decisions and increase operational efficiency; data can also be leveraged for better pricing decisions and reducing customer waiting times.

- With the help of accurate and timely alternate data sources, life insurers can identify new risk parameters and make more precise pricing decisions while also improving the customer experience.
- By automating or accelerating the underwriting process, underwriters will have more time to focus on value-added activities, including supporting innovative product development.

CATALYSTS

Manual processes involving unstructured data management can hamper efforts to get the correct data to underwriting teams.

- Increased customer demand for a less intrusive and simplified purchase process has prompted insurers to shift away from in-person medical exams and opt for alternate data sources such as electronic health records, biometrics, genomics, wearables, and other third-party vendors.
- New data sources enable applicants to obtain life insurance without an elaborate application process, thereby increasing the conversion rate during purchase.
- Predictive analytics offers life insurers a forward-looking outlook when assessing underwriting risk factors and how they might evolve.
- Continuous underwriting with access to customer lifestyle data enables insurers to offer competitive prices.

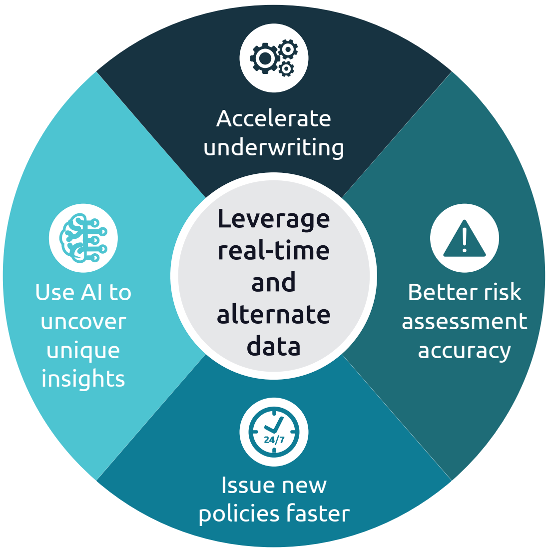
IN A NUTSHELL

Today's trend-setting life insurers use alternate data sources to make underwriting decisions quickly, price risk more accurately, shorten policyholder wait times, and issue policies in real time.

- HSBC Life UK launched a digital underwriting solution whereby screening requests are sent to and quickly returned from medical-screening provider Square Health. Results go directly to HSBC Life's digital underwriting rules engine to provide an instant eligibility decision.[41]
- India-based Max Life Insurance uses its proprietary analytics model, Shield, to check application viability. The model enables automated decision-making by proactively catching risky and fraudulent submissions at the issuance stage – by integrating policy application data with external databases.[42]

With artificial intelligence, carriers can process and analyze massive data sets through various alternate sources, while minimizing human intervention across the underwriting process. As one example, Swiss Re partnered with software company Appian to create an end-to-end scalable AI solution to process vast volumes of data and increase underwriting efficiency. Leveraging AI, the insurer can also compare and contrast use cases to understand how it handled similar profiles in the past.[43]

Figure 7. Integrating real-time alternate data from third-party sources can transform underwriting



Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

In 2023, we expect life insurers to continue efforts to revamp their underwriting processes through external data source collaborations, AI investments, and real-time data tracking tools. This will enhance pricing accuracy, improve customer satisfaction during agent interactions, and enable policies to be issued more quickly.

New technology solutions for underwriting will help insurers perform more accurate risk assessments in less time. As a result, underwriters will be able to spend more time on value-adding activites; further, insurers will improve their bottom line through reduced underwriting risk, increased decision consistency, and lower customer acquisition costs.

TREND 8

INSURERS MAKE SUSTAINABILITY A STRATEGIC CORPORATE PRIORITY

Life insurers are taking on an increasing number of ESG (environmental, social, and governance) issues and committing to protect the environment and prevent future risks.

CONTEXT

Future-focused insurers are weaving ESG resiliency into their corporate sustainability strategy; clear actions and responsibilities are assigned to C-suite executives to ensure ownership and accountability.

- Insurers are revisiting their business models and embedding ESG factors into their risk management strategies. Increasingly, life insurers are partnering with asset managers to develop diversified, sustainable investment strategies for their portfolios.
- Insurers are offering green products and promoting sustainable investment returns through diversified product innovation.

CATALYSTS

Life insurers realize ESG has become an essential business practice as policyholders base purchase decisions on sustainability initiatives. Driven by proactive regulators, European firms were ESG forerunners. Today, however, the focus, intensity, and pace of ESG activity have increased substantially worldwide: insurers realize the benefits of incorporating ESG principles in investments and overall operations, with increased attention and commitment to ESG goals.

- A 2022 survey from institutional insurance asset manager Conning found that 41% of US life/annuity and P&C insurers incorporated ESG factors within the past year, and 79% have in the past two years. However, only 12% reported using ESG factors for more than two years.[44]
- Adopting strategic ESG practices helps insurers build a favorable industry reputation, remain compliant with legal and ethical standards, and mitigate potential damage incurred by incorrect decisions.
- A resiliency roadmap and defined strategy can help insurers access new data by engaging with non-traditional ecosystem partners and capturing ESG scores for investments and underwriting.

IN A NUTSHELL

Across the globe, life insurers are demonstrating a commitment to sustainability through a broad range of initiatives.

- Ping An Life announced it was the first insurer in China to issue an ESG bond index in March 2022, aiming to promote high-quality, sustainable development of different industries through ESG investing. The index series seeks sustainable investment returns through diversified product innovation and encourages interest in sustainable investment.[45]
- In the 2021 ESG report from US-based Prudential Financial, the Fortune 500 firm outlined intentions to achieve net-zero emissions across primary domestic and international home office operations by 2050. In addition, the report introduced restrictions on new direct investments in companies that derive a material portion of their revenues from thermal coal.[46]
- In Q2 2022, a group of Japanese life insurers invested more than USD332 million in an eight-year to support the World Bank’s integrated approach to mainstreaming climate change mitigation and adapting its investment practices.[47]

Figure 8. ESG resiliency is being embedded into corporate sustainability strategy

Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

Expect the trend to integrate sustainability into life insurers' business strategy to accelerate in 2023 and beyond, as geopolitical risks increase and exposure to climate change risks – such as extreme weather events – intensifies. This commitment to ESG helps insurers to attract environmentally-conscious talent, reduce claims, and uphold profits.

We also anticipate sustainability efforts to gain traction as life insurers increasingly embed ESG scores in their investment decisions and appoint chief sustainability officers to orchestrate critical organizational initiatives.

TREND 9

MICROSERVICES UNLOCK NEW INSURANCE ECOSYSTEMS AND IMPROVE THE CUSTOMER JOURNEY

As more consumers embrace digital engagement, insurers are keen to adopt microservices architecture to optimize business performance and boost customer experience.

CONTEXT

Microservices architecture is a distributed system designed from multiple modules that communicate with one another through application program interfaces (APIs). Each module/application can be scaled, updated, and deployed to support maximum flexibility.

- According to microservices providers such as Solartis and Simplesolve, the architecture enables insurers to launch products up to twice as fast as traditional software deployments. In addition, microservices integrate with APIs from other industries and can be configured easily to meet specific business needs.
- Now that microservices architecture and APIs are widely accepted, carriers and managing general agents can adopt a technical foundation that supports and extends various complex insurance products.
- Many insurers are breaking down core systems and ancillary processes through microservices to enable custom product options and to extend their reach to other distribution channels, generating business at the point of need.

CATALYSTS

Complex monolithic architecture, fast-changing customer needs, and technological advancements are driving insurers to shift to microservices architecture.

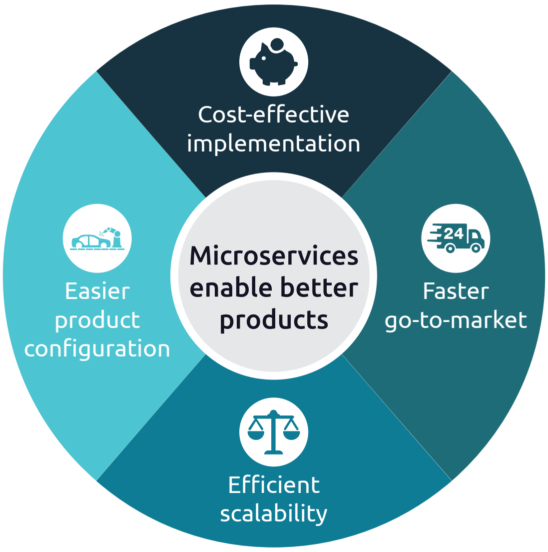
- Millennials, who are on track to represent 75% of the global workforce by 2025, are tech proficient and prefer to act independently, assisted through digital channels as and when required.[48] Therefore, insurers are building applications on microservices architecture to keep pace.
- Many life insurers seek comprehensive digital transformation plans. Partnerships with integration experts in a microservices architecture can accelerate application development to support future business.
- Life insurers are implementing microservices-based APIs and extending their insurance back-end systems to the cloud quickly, cost-effectively, and with low risk.

IN A NUTSHELL

Insurers are shifting to microservices as monolithic architecture requires scaling and lacks flexibility, making it pricey and time-consuming to transform. In contrast, microservices are independently deployable and modular.

- India-based Bajaj Allianz Life Insurance (BALIC) consolidated application development, testing, and deployment onto a single platform in a Kubernetes environment (an open-source container orchestration system). To reduce time to market and seize opportunities quickly, the company created a reliable microservices environment for digital applications using Red Hat's OpenShift, supported by Red Hat 3scale API Management and single sign-on technology. Transforming application components into microservices enabled BALIC to rationalize 100 monolithic applications down to 45 modern applications. As a result, the insurer reduced development and delivery time while eliminating downtime in both its hybrid on-premises and public cloud environments.[49]
- US-based Jackson National Life Insurance Company selected the Apigee API Management Platform from Google Cloud. It implemented secure APIs to execute digital connectors with ecosystem partners as well as for internal development efforts. As part of this initiative, the company has deployed over 130 APIs to expand its portfolio of API products.[50]
- A Finnish insurer adopted microservices to sell coverage online and offer online customer support. The firm had previously struggled with digitalization because of its monolithic application environment. However, by building microservices, the company minimized the functional impact of deployment and achieved the desired digital platform to cater to all customer needs with minimum development time.[51]

Figure 9. Adopting a microservices architecture achieves multiple benefits



Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

By developing applications with microservices, insurers can easily integrate next-generation capabilities into customers' personal applications. In 2023 and beyond, insurers will continue to adopt microservices by investing in APIs, cloud capabilities, and integration experts, transforming their legacy systems at low costs, unlocking new insurance ecosystems, and improving the customer journey.

Historically, insurance assumed and priced risk. But that model is ending. If the past decade was about digitization, the next 10 years will be about microservices to predict and prevent risk."

Peter Ohnemus
President and Chief Executive Officer, decadoo
Zürich

TREND 10

CORE SYSTEM MODERNIZATION POWERS UP LIFE INSURANCE INNOVATION

Unlike P&C carriers, many life insurers have just begun to modernize their core systems: rationalizing, simplifying, and modernizing applications and infrastructure is now a top priority.

CONTEXT

Life insurers that modernize their legacy systems can open doors to new digital capabilities and business opportunities; updating and optimizing core infrastructure to accommodate agile processes will speed up operations and enable rapid innovation. Moreover, a hybrid approach – based on the incremental implementation of advanced technology while maintaining some legacy systems – can work for carriers that are not prepared to replace their entire core all at once.

- Digital transformation is a critical priority for most life insurers, but few can simply flip the switch and replace aging core systems.
- Effective collaboration with technology providers with global resources and a track record of successful legacy modernization (core system replacement, cloud migration, API strategy) can go a long way in cutting down on costly project delays and time spent by internal teams addressing avoidable issues.

CATALYSTS

Core modernization helps insurers to redefine their business model with new digital products, services, and channels that can help them gain competitive ground. Increasing competition from alternative solutions providers, asset managers, and InsurTechs makes it critical for life insurers to understand and effectively meet policyholders' fast-changing expectations and needs.

- Research and consulting firm Gartner reports that legacy modernization was a high priority for insurance chief information officers (CIOs) in 2021, with 55% of surveyed organizations conducting a modernization project of core IT or back-end systems.[52]
- Insurers are forming strategic alliances with Big Techs to transform legacy systems and bolster technical capability. Gartner projects 2022 end-user spending on cloud services to reach USD482 billion as the life insurance market accelerates its shift from legacy systems to the cloud.[53]

IN A NUTSHELL

Many organizations are transforming digitally by integrating new technologies on top of legacy systems via APIs – introducing new services, experiences, and process automation.

- Dutch insurer Aegon is retiring its legacy systems and implementing an Amazon Web Services (AWS) data platform to migrate all systems, applications, and data to the cloud; in addition, the firm has phased out obsolete apps or replaced them with a cloud service. As a result of cloud migration, Aegon says it has gained agility and can now build various solutions in-house.[54]
- US-based InsurTech Haven Technologies partnered with no-code software platform Unqork to help life, annuity, and disability insurers enable better digital interactions, facilitate core insurance capabilities, and integrate with broader technology infrastructure.[55]
- New Delhi-based Max Life Insurance is on a multi-year digital transformation journey that includes investment in cloud migration and new-age architecture. The insurer partnered with Amazon Web Services (AWS) and Microsoft's Azure to modernize its end-to-end application portfolio.[56]

Figure 10. Follow a step-by-step approach to core system modernization

1. Define desired business outcomes
2. Identify functional requirements
3. Ensure consistent alignment at the top
4. Involve employees in the transformation from the outset
5. Choose the right technology partner
6. Ensure there's a strong network of implementation, integration, and advisory partners
7. Implement in stages

Source: Capgemini Research Institute for Financial Services Analysis, 2022

IMPACT

Expect more core modernization in 2023 to accelerate innovation, automate manual processes, and enable new revenue streams. To minimize the risk of full-scale legacy core replacement and accelerate the process, insurers will partner with technology firms that provide low-code and no-code platforms.

In turn, this will enable insurers to cover emerging needs while delivering the flexibility, agility, and scalability required to move into new markets and reduce operational costs. This modern system functionality will unify the experiences of agents, brokers, insurers, and customers.

CONCLUSION

Life insurers will continue modernizing core operational systems while speeding up digital transformation initiatives to navigate the macroeconomic environment of 2023 and beyond. Their aim will be to satisfy evolving customer needs while capitalizing on demand driven by heightened risk awareness because of COVID-19 and interest rates that make guaranteed products more attractive.

We anticipate life insurers to put product innovation in high gear as they explore new business models. However, innovation requires investment in next-generation technologies that offer a comprehensive digital experience, optimize costs through streamlined IT operating models, and build a resilient enterprise prepared to seize new opportunities quickly.

- Future-focused insurers will leverage ecosystem collaborations to improve their core propositions and develop new products to strengthen engagement with policyholders and enhance the customer journey. In addition, carriers will prioritize operational resilience while including wellness in their strategies.
- In 2023, we expect to see agents empowered with more robust digital tools and innovative products targeting underserved customer segments to bridge the protection gap. To make it happen, life insurers will focus on building technical capabilities across cloud, AI, and predictive analytics.
- Insurers will enhance the customer experience and increase customer touchpoints to become policyholders' lifestyle partners. Increased customer trust and loyalty, additional up-sell and cross-sell opportunities, and vigorous product development will be the result.

In 2022, the industry accelerated its post-pandemic transformation efforts. In 2023, we expect life insurers to navigate a challenging macroeconomic environment by continuing digital transformation at pace: strategic carriers will prioritize customer centricity, agile product innovation, and advanced digital capabilities.

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