

# Top-10 Technology Trends in Life Insurance: 2019

What You Need to Know



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## Introduction



Life insurers have found it challenging to recover entirely from the 2008 financial crisis. Established carriers are facing the squeeze of margin pressure as a result of stagnant premiums and stiff competition. Moreover, a general decline in life insurance ownership implies that today's consumers do not necessarily share the coverage motivations of their parents and grandparents. All this while technological advancements and agile InsurTech firms reshape market dynamics.

A top priority for most firms is to invigorate premium growth. Life insurers are updating portfolios and actively reaching out to current and potential customers. By leveraging innovative products and services, firms can increase their top line by retaining and expanding their customer base.

Customer retention becomes easier when backed by high customer satisfaction driven by exceptional customer experience. Not surprisingly, life insurers are beefing up their efforts to engage with consumers by exploring new distribution channels and delivering real-time services. Carriers are also positioning themselves as health and lifestyle coaches to drive regular, meaningful engagements.

There is also a greater focus these days on operational efficiency and refining processes to improve the bottom line. Insurers are investing in technologies such as robotic process automation (RPA), machine learning, artificial intelligence (AI), and advanced analytics to drive profitability. Digital platforms are also playing an important role in enabling better channel partner collaboration.

Contrary to initial sentiments, established insurers now realize that the InsurTech movement offers a variety of opportunities for the industry. Traditional life insurance carriers are exploring multiple avenues to collaborate with InsurTechs to swiftly develop today's must-have technological competencies. Carriers are also integrating with various ecosystem partners to drive process efficiencies. Integration will help firms to manage market dynamics better and to plan future-readiness strategies.

## Life Insurance Industry Landscape

The life insurance industry is witnessing a prolonged period of slow premium growth. Real growth slowed to 0.5% in 2017, a decline of 0.9 percentage points as compared to an already anemic 1.4% in 2016 (Exhibit 1). Life insurance premiums have been stagnant at the global level since the financial crisis because of weak performance in advanced markets. Demand and supply of savings-related products have also been affected by low interest rates in advanced markets, though this is finally starting to turn a corner.<sup>1</sup>

Exhibit 1: Global life insurance premium volume (US\$ billion) and inflation-adjusted growth (%), 2012-17



Source: Capgemini Financial Services Analysis, 2018; Swiss Re Report, 2013-17

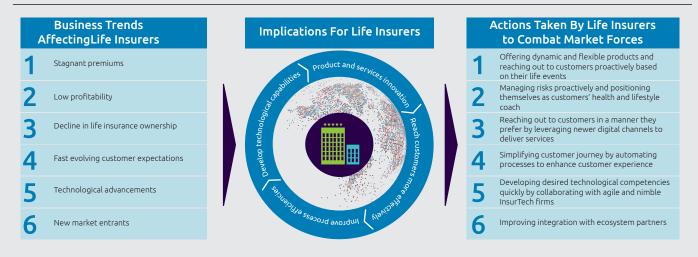
Stagnant premiums have spurred intense price competition to sustain organic growth and increase market share, which keeps profitability under pressure. Furthermore, fewer and fewer consumers are considering life insurance ownership nowadays because of increasing life expectancy, tax code changes, and the availability of better investment options.

Consumer expectations are also quickly evolving. Today's insurance customers expect similar experiences to that which they regularly encounter when doing business with industries such as online retail and consumer products.

Advancements in automation technologies such as RPA, machine learning, AI, connected devices, and advanced data-analytics are allowing life insurance carriers to develop new value propositions for customers, improve process efficiencies, innovate more profitable products, and bolster retention. Digitally agile InsurTech firms, now firmly planted within the life insurance domain, are using their competencies in new technologies to redefine the customer journey.

<sup>1</sup> Swiss Re, "sigma NO 3/2018: WORLD INSURANCE IN 2017: SOLID, BUT MATURE LIFE MARKETS WEIGH ON GROWTH," March 2018, <a href="http://institute.swissre.com/research/overview/sigma/3\_2018.html">http://institute.swissre.com/research/overview/sigma/3\_2018.html</a>, accessed September 2018.

Exhibit 2: Business trends and implications for life insurance firms



These market developments mean that carriers must laser focus to innovate products and services, more actively reach out to customers, improve process efficiencies, and develop critical technological capabilities to combat market forces (Exhibit 2).

The technology trends in life insurance for 2019 are expected to be shaped by the innovative means life insurers are exploring to meet the industry's challenges and opportunities.



# Trend 01: Offering Dynamic and Flexible Products

By leveraging digital technologies, life insurance carriers are offering broad and flexible products to grow revenues in a stagnant environment



### **Background**

- Life insurance ownership has been on the decline in the United States for a long time, and the coverage gap is quickly growing<sup>23</sup>
- According to LIMRA, one of the key reasons that customers in the United States cite for not owning a life insurance policy is affordability<sup>4</sup>
  - Customers believe life insurance is too expensive based on its long-term nature
- More customers may be reached through education and by designing affordable products



#### **Key Drivers**

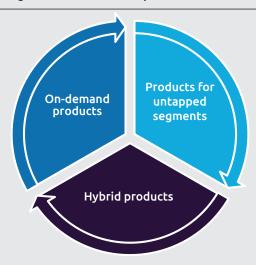
- Low-interest rates and stagnant premiums over an extended time in advanced markets are driving insurers to explore new revenue streams
- Advancements in data collection and real-time processing are enabling firms to design more granular and dynamic offerings
- Customers want flexible and affordable policies due to an increase in life expectancy



- Life insurers are offering flexible and on-demand products by leveraging emerging technologies such as mobile, advanced analytics, and real-time data capturing and processing:
  - Both incumbent insurers and InsurTech firms are focused on making life insurance accessible to customers who can't afford long-term or traditional policies by offering more granular and on-demand products:
    - > U.S.-based InsurTech firm Bestow partnered with Munich American Reassurance Company (Munich Re) to develop life insurance products for its on-demand life insurance platform<sup>5</sup>
    - Haven Life, a MassMutual-backed InsurTech firm in New York provides on-demand life insurance policies throughout the United States<sup>6</sup>
    - > Texas-based InsurTech firm Life by Spot is another such example, launching recently in collaboration with Hannover Life Reassurance Company of America (Hannover Re US) with very short-term (1-30 days), on-demand life insurance products<sup>7</sup>
- Life insurers are also looking to offer niche products:
  - Carriers are turning long-term care (LTC) products into riders on annuities and other products, and are offering customers these hybrid policies:
- 2 Federal Reserve Bank of Chicago, "What Explains the Decline in Life Insurance Ownership?" Daniel Hartley, Anna Paulson, Katerina Powers, August 2017, <a href="https://www.chicagofed.org/publications/economic-perspectives/2017/8">https://www.chicagofed.org/publications/economic-perspectives/2017/8</a>
- 3 LIMRA, "Life Insurance Ownership in Focus (2016)," September 28, 2016, https://www.limra.com/ownership, accessed September 2018.
- 4 LIMRA, "Facts About Life 2017," September 15, 2017, <a href="https://www.limra.com/uploadedFiles/limra.com/LIMRA">https://www.limra.com/uploadedFiles/limra.com/LIMRA</a> Root/Posts/PR/LIAM/PDF/Facts-of-Life 2017(1).pdf, accessed September 2018.
- 5 *PRWeb*, "Leading Carrier and Reinsurer Partner with Insurtech Startup Bestow on its Highly Anticipated, On-Demand Platform," September 07, 2017, <a href="http://www.prweb.com/releases/2017/09/prweb14673130.htm">http://www.prweb.com/releases/2017/09/prweb14673130.htm</a>, accessed September 2018.
- 6 New York Business Journal, "On-demand life insurance startup Haven Life now available in all 50 states," Anthony Noto, September 07, 2017, <a href="https://www.bizjournals.com/newyork/news/2017/09/07/haven-life-now-available-in-all-50-states.html">https://www.bizjournals.com/newyork/news/2017/09/07/haven-life-now-available-in-all-50-states.html</a>
- 7 *Digital Insurance*, "Hannover Re partners with insurtech Life by Spot on launch," Nathan Golia, October 01 2018, <a href="https://www.dig-in.com/news/hannover-re-partners-with-insurtech-life-by-spot-on-launch">https://www.dig-in.com/news/hannover-re-partners-with-insurtech-life-by-spot-on-launch</a>

- AXA U.S. witnessed a surge in the proportion of customers purchasing LTC riders in 2017<sup>8</sup>
- Carriers are finding innovative ways to sustainably offer life insurance products to people with adverse health conditions, thus accessing previously unaddressed markets<sup>9</sup>

Exhibit 3: Life insurance firms are offering broader and flexible products



- Insurers can also unbundle offerings to tap into customer segments seeking specific coverage:
  - U.S.-based InsurTech firm Fabric starts out customers with Fabric Instant, an accidental death insurance policy, and customers can easily switch to term life insurance policies<sup>10</sup>
- Life insurers are also finding innovative ways to simplify some products and educate prospective customers on others:
  - Future Generali India Life Insurance launched a tax awareness campaign to promote smarter tax behavior and to educate customers about various tax benefits offered by insurance products<sup>11</sup>



- More flexible and a broader variety of products will allow life insurers to add new revenue streams and stimulate stagnant premium growth
- Digital technologies that cater to customers' real-time needs could significantly improve customer engagement and customer satisfaction
- Simplified products along with better customer product understanding ease the customer acquisition process, allowing insurers to onboard new customers efficiently and cost effectively
- 8 Financial Planning, "What advisors need to know about the changing LTC market," Tobias Salinger, September 22, 2017, <a href="https://www.financial-planning.com/news/axa-discusses-hybrid-ltc-plans">https://www.financial-planning.com/news/axa-discusses-hybrid-ltc-plans</a>
- 9 LOGiQ3 Blog, "Global Trends in Life Insurance Product Innovations," Elliott Dickson, August 25, 2017, http://www.logiq3.com/blog/global-trends-life-insurance-innovations
- 10 Nerdwallet, "Fabric Insurance Review 2018," February 7, 2018, https://www.nerdwallet.com/blog/insurance/fabric-insurance-review, accessed September 2018.
- 11 Financial Express, "Future Generali India Life Insurance launches tax awareness campaign for customers," January 24, 2018, <a href="https://www.financialexpress.com/money/income-tax-returns-itr-filing-tax-hacks-launched-by-future-generali-india-life-insurance-dont-lose-money-any-more/1028591/">https://www.financialexpress.com/money/income-tax-returns-itr-filing-tax-hacks-launched-by-future-generali-india-life-insurance-dont-lose-money-any-more/1028591/</a>, accessed September 2018.

# Trend 02: Developing Products and Services Based on Customer Life Events

Life insurers are developing tailored, value-added products and services based on customer life events to offer customers the right products at the right time



### **Background**

- A proactive offering based on a consumer's life event is more likely to generate a sale because customers are receptive to coverage modification based on their new, emerging requirements
- Big data analytics and artificial intelligence (AI) allow insurers to make more informed decisions based on customer data feeds from third-party data sources such as social media, web, and connected devices



#### **Key Drivers**

- Customers demand proactive, faster, personalized, and more convenient services
- Profitability in the life insurance industry is under pressure and acquisition of new customers is costly, therefore it is necessary to retain and enhance existing customer relationships
- Combined with innovative and simplified product offerings, advancements in mobile technology, data collection, and analytical capabilities are enabling insurers to reach out to customers in an efficient, strategic, and more targeted manner



- Life insurers are leveraging advanced data collection and analytical capabilities to reach out to customers with personalized value propositions based on their life events.
  - Israel-based InsurTech Atidot is a life insurance data platform that utilizes AI, machine learning, and predictive analytics to drive greater business insights:<sup>12</sup>
    - > The self-service platform helps clients reduce lapses by allowing them to identify at-risk policyholders for outreach
    - > The platform can also help craft offers that result in cost-effective up-sell efforts
    - It also allows insurance firms to maximize the enterprise value of each customer by improving pricing
  - U.S.-based startup Life.io leverages data from wearables, social media, and other data sources to provide insurers with insights to help them better understand policyholder behaviors, which enables them to proactively reach out to customers based on life events<sup>13</sup>
- Reaching out to customers based on their life events may boost sales as well as increase customer lifetime value and engagement:
  - This also lowers customer churn and increases retention which is lacking in the life insurance industry currently
- Boundaries between various industries are blurring, and life insurers are also offering value-added services related to health management or financial planning:
  - Taiwan-based Chubb Tempest Life Reinsurance Limited has an investment-linked product that protects and manages customers' risks and wealth<sup>14</sup>

<sup>12</sup> BlueDun, "Atidot Brings AI, Machine Learning, Predictive Analytics to the Life Insurance Industry," May 9, 2018, http://blue-dun.com/2018/05/09/atidot-ai-life-insurance, accessed September 2018.

<sup>13</sup> Life.io website, <a href="http://life.io">http://life.io</a>, accessed August 2018.

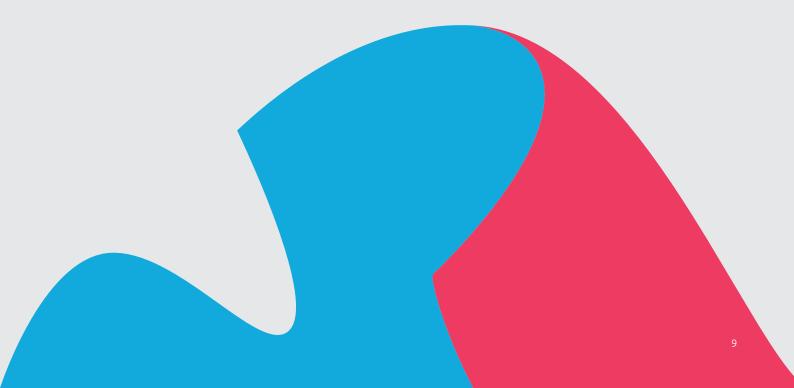
<sup>14</sup> Chubb website, "Chubb Life receives 2017 Most Innovative Product Award at the 19th "Insurance Faith, Hope & Love" Award in Taiwan," September 25, 2017, <a href="http://news.chubb.com/2017-09-25-Chubb-Life-receives-2017-Most-Innovative-Product-Award-at-the-19th-Insurance-Faith-Hope-Love-Award-in-Taiwan">http://news.chubb.com/2017-09-25-Chubb-Life-receives-2017-Most-Innovative-Product-Award-at-the-19th-Insurance-Faith-Hope-Love-Award-in-Taiwan</a>, accessed September 2018.

Robust predictive Ability to reach analytics tools for the customers Quick access anticipating the with an to accurate needs of a appropriate customer data customer accuoffering via an rately omnichannel approach

Source: Capgemini Financial Services Analysis, 2018



- Insurers can generate better mind/wallet share with customers by providing them the right services at the right time, not just serving customers but delighting them
- Enhanced customer experience may improve customer retention for insurers
- In an environment of intense price competition, life insurers can utilize value-added services to not only differentiate from their competitors but also open up new revenue streams
- To design the appropriate value-added services, building capabilities in real-time data capture and analytics will be critical for carriers going forward



# Trend 03: Positioning as Customers' Health and Lifestyle Coach

Gradually, life insurers are coaching their customers' health and lifestyle decisions through proactive day-to-day engagement that can help prevent or control risks



## **Background**

- The use of health and fitness apps has grown by over 330% from 2014 to 2017<sup>15</sup>
- The proliferation of connected devices has boosted the availability of customer data
- Customers are willing to share their data with insurers if it means more personalized service and enhanced experience<sup>16</sup>
- Life insurers are also looking to improve profitability by shifting to a preventive model that encourages customers to make better health and lifestyle choices



#### **Key Drivers**

- Traditionally, the life insurance industry had few customer touchpoints and is now in need of more customer engagement opportunities
- Advancements in wearables, availability of third party data, and cloud technologies enable insurers to gather granular customer data in real time
- Intense competition and high margin pressure make improving retention an important priority for life insurers



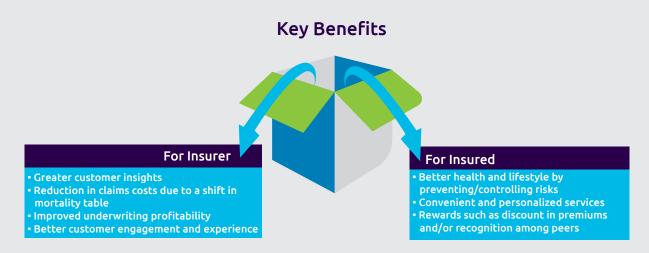
- Riding the increased adoption of health and fitness apps, carriers are developing health and fitness platforms:
  - Apps allow users to track their activity details in a peer group and measure fitness goals progress
  - Insurers can leverage this information to boost customer engagement by providing timely feedback, communications, rewards, and/or recognition
  - A healthy lifestyle reduces customer risk and can translate into fewer claims, especially for health-focused products
  - Customers with healthy lifestyles can also receive rewards ranging from gift cards to health club discounts or premium discounts either upfront or during the policy life cycle
    - UK-based VitalityLife's Wellness Optimizer rewards insureds for keeping their vitals such as blood pressure, blood glucose, cholesterol, and body mass index in a healthy range<sup>17</sup>
    - › Wellgage, a platform from reinsurer Munich Re and HealthTech firm Tictrac, combines contextual customer-specific data with data from apps and wearables to provide users with personalized, actionable recommendations<sup>18</sup>
  - Gradually, insurers are positioning themselves as health and lifestyle coaches through healthy-lifestyle advice to insureds

<sup>15</sup> Flurry Analytics Blog, "Health & Fitness App Users Are Going the Distance with Record-High Engagement," Lali Kesiraju, Toby Vogels, September 07, 2017, <a href="http://flurrymobile.tumblr.com/post/165079311062/health-fitness-app-users-are-going-the-distance">http://flurrymobile.tumblr.com/post/165079311062/health-fitness-app-users-are-going-the-distance</a>

<sup>16</sup> Capgemini, "World Insurance Report 2018," https://www.capgemini.com/service/world-insurance-report-2018/, accessed September 2018.

<sup>17</sup> VitalityLife website, <a href="https://www.vitality.co.uk/life-insurance/optimiser">https://www.vitality.co.uk/life-insurance/optimiser</a>, accessed August 2018.

<sup>18</sup> Cover, "Munich Re launches health engagement platform," Fiona Murphy, April 24, 2017, https://www.covermagazine.co.uk/cover/news/3008897/munich-re-launches-health-engagement-platform



 As more and more customers take advantage of the tools and support offered by life insurers, carriers will gain greater insights into customers' lifestyles to bolster customer engagement



- Carriers stand to significantly increase customer touchpoints by engaging and becoming customers' health and lifestyle coach
- Carriers will help customers control risks in their lives, leading to a better experience for customers, which is likely to boost customer loyalty – a win-win situation for both carriers and customers
- Insurers will have greater access to customer data, which will:
  - Enable the development of more personalized offerings
  - Help carriers understand the impact of customers' lifestyle choices on their risk profile and customer behaviors that can shift mortality tables



# Trend 04: Expanding into New Distribution Channels

Life insurers are leveraging technology to cost-effectively expand into newer, digital distribution channels



#### **Background**

- Independent agents still command over half of the individual life market distribution. However, digital channels are also witnessing increased importance:<sup>19</sup>
  - More than half of the customers surveyed for the World Insurance Report 2018 rated the internet as an important insurance transaction channel and this proportion increased to 59.1% and 56.3% for tech-savvy and Gen Y customers<sup>20</sup>



#### **Key Drivers**

- The need to reach out to more customers in an efficient and cost-effective manner
- Advancements in technologies such as cloud, microservices, and Application Programming Interfaces (APIs) that allow seamless collaboration of insurers with their distributors as part of an "insurance ecosystem"
- Evolving channel preferences of customers who now expect omnichannel presence from firms



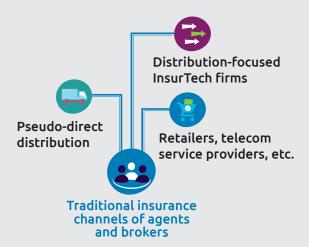
- As carriers look to create growth in a stagnant market, they are looking at ways to use technology to effectively expand into new distribution channels, whether new to those carriers or entirely new concepts for the industry:
  - Life insurance carriers are using APIs to make their products available on the platforms of distribution-focused InsurTech firms
  - Apart from the direct-to-customer models that multiple InsurTech companies are
    offering, pseudo-direct models are also coming up, wherein insurers are working directly
    with customers while pushing continued agent involvement in the process (e.g., providing
    agent information at the end of the sales process)
  - Life insurance companies are also leveraging digital technologies to expand their presence to retailers or other unconventional/unexplored channels. For instance:
    - > Shanghai-based insurer Innolife uses WeChat as a distribution channel and tailors life insurance products according to customer needs by communicating via a WeChat-based chatbot<sup>21</sup>
    - India-based Bharti AXA Life Insurance is leveraging the vast network of Airtel Payments Bank to enhance the penetration of life insurance among underinsured rural populations<sup>22</sup>
- Digital channels are becoming increasingly important for customers, and it is now critical
  to be able to reach customers via their most preferred channels, not the insurer's most
  preferred channels

<sup>19</sup> Insurance Information Institute, "Background on: Buying Insurance – Evolving Distribution Channels," June 20, 2018, <a href="https://www.iii.org/article/background-on-buying-insurance">https://www.iii.org/article/background-on-buying-insurance</a>, accessed September 2018.

<sup>20</sup> Capgemini, "World Insurance Report 2018," May 22, 2018, https://www.capgemini.com/service/world-insurance-report-2018, accessed September 2018.

<sup>21</sup> The Digital Insurer, "China Spotlight: AI meets life insurance," Michael O'Dwyer, November 22, 2017, https://www.the-digital-insurer.com/china-spotlight-a-i-within-life-insurance

<sup>22</sup> Greater Kashmir, "Airtel Payments Bank, Bharti AXA ally for PM Jeevan Jyoti Bima Yojana," August 18, 2018, <a href="https://www.greaterkashmir.com/news/business/airtel-payments-bank-bharti-axa-ally-for-pm-jeevan-jyoti-bima-yojana/293835.html">https://www.greaterkashmir.com/news/business/airtel-payments-bank-bharti-axa-ally-for-pm-jeevan-jyoti-bima-yojana/293835.html</a>, accessed September 2018.





- By expanding to new channels, life insurers stand to gain access to a wider set of customers, resulting in topline growth
- If done efficiently, broader reach via digital channels can also reduce customer acquisition costs
- Insurer presence across multiple channels extends flexibility to customers and improves their experience



## Trend 05: Delivering Services in Real Time

Life insurers are looking to enhance customer experience by delivering real-time services using AI-based smart-automation tools



### **Background**

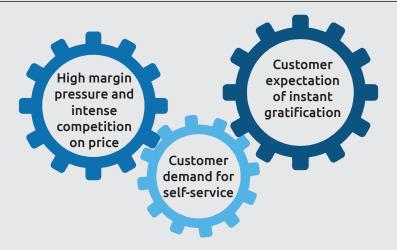
- Advancements in AI-based technologies such as machine learning, natural language processing (NLP) and generation, and speech recognition have spurred development of conversational bots
- Banks already leverage conversational bots in a wide range of applications to cut down queue times, boost efficiency and availability, and provide an alternate service channel for customers<sup>23</sup>



#### **Key Drivers**

- Since life insurance companies are facing intense competition and high margin pressure, they are looking to automate processes to reduce operating costs
- Other industries such as retail and consumer products have set the bar high for customer experience, and now customers seek a similar insurance experience
- Customers demand omnichannel availability of services so they can choose the most convenient channel for getting in touch with their insurer<sup>24</sup>

Exhibit 7: Factors driving the adoption of Al-based solutions for delivering real-time services



Source: Capgemini Financial Services Analysis, 2018

<sup>23</sup> Reuters, "British bank RBS hires 'digital human' Cora on probation," Emma Rumney, February 21, 2018, https://www.reuters.com/article/us-rbs-avatar/british-bank-rbs-hires-digital-human-cora-on-probation-idUSKCN1G523L

<sup>23</sup> Capgemini, "World Insurance Report 2017," https://www.capgemini.com/service/world-insurance-report-2017, accessed September 2018.



#### **Trend Overview**

- Life insurance carriers are using AI-based technologies such as machine learning and NLP across a range of customer service functions to automate processes and reduce costs:
  - AIA Hong Kong launched Andy, an AI-based chatbot, that offers customers around-the-clock self-service support<sup>25</sup>
  - Future Generali India Life Insurance launched chatbot REVA and a WhatsApp-based service dubbed WhatsApp for Service. Both platforms use AI and NLP to serve customers on a real-time basis<sup>26</sup>
- Life insurers are also exploring voice-based assistance to provide customers easier access to services and enhanced interaction experience:
  - Prudential Retirement built a skill for Amazon's digital voice service, Alexa, that customers can
    use to check their balances, rates of return, and outstanding loan balances<sup>27</sup>
- Al-based systems also have the potential to continuously improve with better data availability due to increased usage:
  - Data gathered by these systems can be used to gain greater customer insights and personalize the next interaction with them



- Better service availability and quick turnaround improve customer experience
- Cognitive conversational bots not only reduce insurers' operational costs, they also improve
  efficiency and accuracy
- Carriers can use rich customer data and deep insights to incorporate better customization and personalization into products
- Current availability of voice-based assistants on smart home devices shows glimpses of the future that appear to be an integrated ecosystem of service providers working seamlessly to provide superior customer experience

<sup>25</sup> AIA website, "AIA HONG KONG LAUNCHES INDUSTRY-FIRST CUSTOMER SERVICE ROBOT ARTIFICIAL INTELLIGENCE CHATBOT OFFERS 24-HOUR INSTANT SELF-SERVICE CUSTOMER SUPPORT," May 02, 2018,

http://www.aia.com.hk/en/about-aia/media-centre/press-releases/2018/aia-press-release-20180502.html, accessed September 2018.

<sup>26</sup> ETCIO, "Future Generali India Life Insurance launches 'WhatsApp for Service', Chatbot 'REVA' to deliver real time services to customers," July 13, 2018, <a href="https://cio.economictimes.indiatimes.com/news/corporate-news/future-generali-india-life-insurance-launches-whatsapp-for-service-chatbot-revatodeliver-real-time-services-to-customers/6497529">https://cio.economictimes.indiatimes.com/news/corporate-news/future-generali-india-life-insurance-launches-whatsapp-for-service-chatbot-revatodeliver-real-time-services-to-customers/6497529</a>, accessed September 2018.

<sup>27</sup> Prudential Newsroom, "Prudential Retirement builds skill for Amazon Alexa," Adam Hunter, April 04, 2018, http://news.prudential.com/prudential-retirement-builds-skill-for-amazon-alexa.htm

# Trend 06: Enhancing the Experience of Channel Partners

Life insurers are enhancing their channel partners' experience through digital tools and the power to focus on more value-adding tasks



## Background

- Buying a life insurance policy is a complex process for both customers and insurance channel partners because it involves multiple parties
- Channel partners are constrained from adding more value because they are required to handle operational and administrative tasks that involve much paperwork



#### **Key Drivers**

- Advancements in automation technologies such as RPA and AI can now handle manual, repetitive tasks
- Now widely adopted, cloud technology is making it easier for various parties to collaborate digitally
- Life insurance carriers that go paperless and use digital channels can improve turnaround time, reduce operational costs, and enhance customer experience



- Life insurers can enhance the productivity of agents through tools that empower them to engage better with customers and focus on selling the most appropriate products instead of spending time on the operational aspects of selling and servicing:
  - India-based carrier Aditya Birla Sun Life Insurance has a platform for its partner community that streamlines the process of customer acquisition, policy issuance, customer servicing, and effectively providing value-added services to the customers<sup>28</sup>
- Digital, cloud-based platforms for agents and brokers can significantly enhance their collaboration with insurers by allowing easier document sharing, faster support and turnaround, and end-to-end customer lifecycle management:
  - U.S.-based Nationwide has invested in transformational capabilities such as intelligent underwriting, pending life business tracker, and digital customer interviews to make the life insurance purchase journey simpler and more efficient for customers and agents alike<sup>29</sup>
  - Life insurance companies can also empower their channel partners with cognitive document processing capabilities to sift through piles of documents and improve productivity
- Insurance companies also understand the importance of keeping their agents motivated and inspiring them through their career cycle:
  - MetLife launched its Career Agency Portal to provide agents in Asia resources and capabilities to better serve customers<sup>30</sup>

<sup>28</sup> Channel World, "Aditya Birla Sun Life Insurance empowers partner community with digitization," November 23, 2017, <a href="http://www.channelworld.in/case-study/aditya-birla-sun-life-insurance-empowers-partner-community-digitization">http://www.channelworld.in/case-study/aditya-birla-sun-life-insurance-empowers-partner-community-digitization</a>, accessed September 2018.

<sup>29</sup> Coverager, "Nationwide's Life Insurance Transformation," Avi Ben-Hutta, June 20, 2018, https://coverager.com/nationwides-life-insurance-transformation

<sup>30</sup> *Life Insurance International*, "MetLife launches new portal to help Asian career agents," March 26, 2018, <a href="https://www.verdict.co.uk/life-insurance-international/news/metlife-launches-new-portal-help-asian-agents-groom-career">https://www.verdict.co.uk/life-insurance-international/news/metlife-launches-new-portal-help-asian-agents-groom-career</a>, accessed September 2018.





- Digital channels can enable channel partners to more agilely provide services to customers
- Streamlined processes improve operational efficiencies for channel partners and in turn, insurance carriers
- When the experience of channel partners is good it can improve their relationship with insurers and their willingness to collaborate
- Customer experience may also significantly improve if channel partners were able to focus on adding more value to customer interactions



# Trend 07: Implementing Accelerated Underwriting Processes

Life insurers are implementing accelerated underwriting processes using automation solutions to improve agility and cut down on customers' policy acquisition time



## **Background**

- Traditional life insurance policy purchasing process is slow, and it takes a great deal of customer's time and effort to obtain a policy
- Slow life insurance underwriting processes have traditionally resulted in high not-taken rates, while low uptake of digital applications has kept not in-good-order rates high because of unintentional mistakes



## **Key Drivers**

- Customer demand for a faster and more convenient life insurance quoting/ buying experience
- Margin pressure is driving companies to cut down on manual processes and expensive medical examinations
- Advancements in technologies such as RPA and AI that can automate processes
- Emergence of InsurTechs which are using technology to streamline underwriting

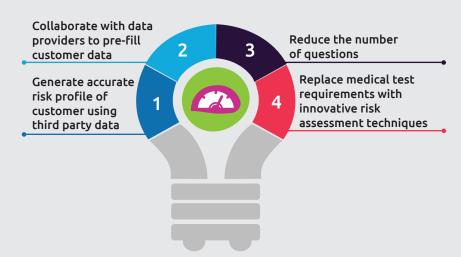


- Insurers—as well as InsurTech firms—are using technology to make the underwriting process faster:
  - Methods employed to accomplish this include reducing the number of questions asked to a customer, reducing/skipping medical test requirements, and collaborating with data providers to generate a faster and more accurate risk profile of a customer
  - Penn Mutual subsidiary Vantis Life has an underwriting platform that leverages thirdparty data to quickly sell policies on-the-spot to customers via either desktop or mobile; the solution doesn't require medical tests for individuals who are considered to be generally healthy<sup>31</sup>
  - U.S.-based insurer Prudential's PruFast Track platform uses its proprietary Risk Assessment Mortality Model (RAMM) to speed-up underwriting decisions<sup>32</sup>
- The accuracy of these tools is likely to improve going forward due to digital advancements and availability of more data as well as a broader set of data points
- Insurers are also collaborating with data providers for pre-filling customer data to fast-track the process of collecting customer information and improve the experience of applicants

<sup>31</sup> Digital Insurance, "How Vantis Life plans to go direct," January 12, 2018, <a href="https://www.dig-in.com/news/how-vantis-life-plans-to-go-direct">https://www.dig-in.com/news/how-vantis-life-plans-to-go-direct</a>, accessed September 2018.

<sup>32</sup> Insurance Innovation Reporter, "Prudential's PruFast Track Speeds Less Intrusive Life Underwriting Decisions," Anthony R. O'Donnell, April 27, 2018, <a href="http://iireporter.com/prudentials-prufast-track-speeds-less-instrusive-life-underwriting-decisions">http://iireporter.com/prudentials-prufast-track-speeds-less-instrusive-life-underwriting-decisions</a>

Exhibit 9: Techniques to accelerate the underwriting process





- A substantial reduction in underwriting time often means faster policy acquisition for customers, resulting in improved customer experience and fewer *not-takens*
- Life insurers can realize significant cost savings from removal of medical tests and automation of the underwriting process
- Advancements in automated underwriting tools could enable carriers to perform faster and more accurate risk assessments



## Trend 08: Improving User Journeys and Making the Sales Process More Intuitive

Life insurers are using advanced analytics—including behavioral analytics—to improve user journeys and make the sales process faster and more intuitive



### **Background**

- Customers want an omnichannel journey, with a consistent experience across all their insurer interactions<sup>33</sup>
- Carriers mindful of high *not-taken* rates are improving customer journeys to arrest lost business opportunities



#### **Key Drivers**

- Advancements in data capturing and processing capabilities are enabling insurance firms to gain deep behavioral insights, that can help them adapt their strategies accordingly
- Based on their experience with other industries, customers expect contextualized and personalized experience with their life insurers as well
- Advancements in technologies such as speech recognition and NLP are helping to automate analysis of speech or text



- Insurers are heavily focused on improving customer experience and user journeys by using analytics:
  - Using details from the customer journey such as activities across channels, behavior, and channel data – insurance companies can generate insights into customer intent and related outcomes for such interactions
  - Deeper understanding can help insurers personalize customer interactions and can make the sales process faster and more intuitive for the customers
  - UAE-based Union Insurance creates a personalized customer journey while reaching out to promote products or services. The firm focuses on providing customers the best services while controlling potential risks<sup>34</sup>
- By keeping the buying process intuitive and simplified, carriers can guide customers effectively during the sales process:
  - UK-based online life insurer Beagle Street simplifies the policy purchase journey by providing simple explanations of its products, keeping its application form intuitive, and offering meaningful customer engagements<sup>35</sup>
  - U.S. InsurTech firm, Ladder, offers flexibility by allowing customers to purchase a policy quickly and modify it any time based on need<sup>36</sup>
- Insurers are leveraging behavioral insights to make better decisions throughout a user journey to enhance the lifetime value of insurance for customers:

<sup>33</sup> Capgemini, "World Insurance Report 2018," May 22, 2018, https://www.capgemini.com/service/world-insurance-report-2018, accessed September 2018.

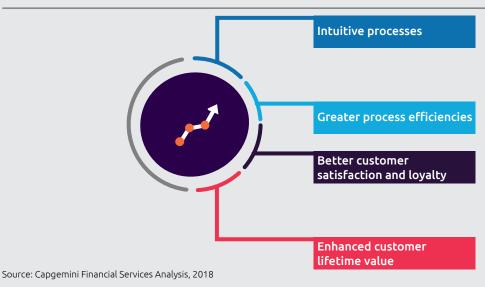
<sup>34</sup> Gigabit, "How Union Insurance has embraced digital innovation and met demands for instant insurance services," Catherine Sturman, August 09, 2018, https://www.gigabitmagazine.com/company/how-union-insurance-has-embraced-digital-innovation-and-met-demands-instant-insurance#

<sup>35</sup> Lens, "raising the game in life insurance customer experience," Helen Fennell, December 12, 2017, http://thisislens.co.uk/2017/12/12/beagle-street-raising-game-life-insurance-customer-experience

<sup>36</sup> Ladder website, <a href="https://www.ladderlife.com">https://www.ladderlife.com</a>, accessed August 2018.

- U.S. startup Life.io has a platform that analyzes customer data to equip carriers with insights for engaging more meaningfully with customers throughout their journey, from product ideation and development to sales and policy management<sup>37</sup>
- Insurers can also use real-time analytics to empower their employees with timely guidance to enhance customer interactions:
  - Smart Mentoring through AI and behavioral analytics helps the Allianz France sales team improve customer communications<sup>38</sup>

Exhibit 10: Key benefits of using analytics to improve user journeys





- Intuitive and faster processes drive better customer experience and may reduce the need to contact agents or service representatives, which lowers the overall cost of customer service
- Improved customer interactions can also enhance retention/customer lifetime value
- A well-trained insurer salesforce is likely to generate better customer satisfaction and drive customer loyalty and advocacy while improving compliance

<sup>37</sup> Life.io website, <a href="http://life.io">http://life.io</a>, accessed August 2018.

# Trend 09: Exploring Accelerator Programs to Stay at the Forefront of Innovations

Increasingly, life insurance firms are exploring accelerator programs as a means to collaborate with InsurTech firms and stay at the forefront of innovation



## **Background**

- Incumbent insurance firms find it challenging to innovate due to legacy processes and systems and higher cost of risk
- Digital-native InsurTech firms are more agile and able to adopt a fail-fast approach to explore innovations<sup>39</sup>
- Traditional insurance firms are exploring multiple collaboration avenues with InsurTech firms since they have complementary strengths and working together offers win-win benefits<sup>40</sup>



### **Key Drivers**

- Technological advancements in the digital space
- The advent of nimble and agile InsurTech firms that complement the strengths of incumbent insurers
- The need for improving time to market to survive despite intense competition in the industry



- Life insurers are collaborating with accelerators—or coming up with their own accelerator programs often aimed at joining forces with an InsurTech firm as part of that effort:
  - MetLife has launched two programs MetLife Digital Ventures and MetLife Digital Accelerator – aimed at investing in InsurTech firms, partnering with them and fostering a culture of innovation<sup>41</sup>
  - AXA incubator Kamet Ventures supports the conceptualization, development, and launch of innovative insurance products and services. It has invested more than US\$5 million in UK-based life insurance start-up Anorak that uses AI to make life insurance more accessible to customers<sup>42</sup>
- Accelerator programs provide insurers with an avenue to innovate quickly and generate competencies in technologies for which they may have trouble recruiting new talent:
  - Talent is a critical issue that can impede a firm's ability to scale automation and innovation initiatives<sup>43</sup>
- These programs give both parties (the incumbent insurer and the InsurTech firm) an
  opportunity to work closely on business cases and identify future synergies before a more
  permanent collaboration

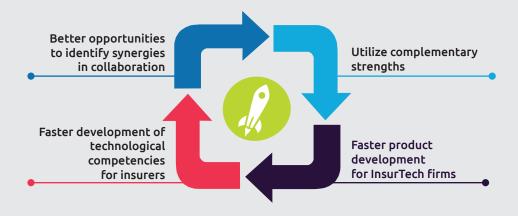
<sup>39</sup> Capgemini, "World InsurTech Report 2018," October 02, 2018, https://worldinsurtechreport.com/, accessed October 2018.

<sup>40</sup> Capgemini, "World Insurance Report 2017," https://www.capgemini.com/service/world-insurance-report-2017, accessed September 2018.

<sup>41</sup> MetLife website, "METLIFE ACCELERATES TRANSFORMATION WITH LAUNCH OF DIGITAL VENTURES AND DIGITAL ACCELERATOR," January 08, 2018, <a href="https://www.metlife.com/about-us/newsroom/2018/january/metlife-accelerates-transformation-with-launch-of-digital-ventur">https://www.metlife.com/about-us/newsroom/2018/january/metlife-accelerates-transformation-with-launch-of-digital-ventur</a>, accessed September 2018.

<sup>42</sup> Insurance Edge, "Life Cover Start-Up Anorak Secures £4m Funding From Kamet Ventures/AXA," January 25, 2018, <a href="https://insurance-edge.net/2018/01/25/life-cover-start-up-anorak-secures-4m-funding-from-kamet-ventures-axa">https://insurance-edge.net/2018/01/25/life-cover-start-up-anorak-secures-4m-funding-from-kamet-ventures-axa</a>, accessed September 2018.

<sup>43</sup> Capgemini, "Growth in the Machine: How financial services can move intelligent automation from a cost play to a growth strategy," July 12, 2018, <a href="https://www.capgemini.com/resources/the-growth-in-the-machine">https://www.capgemini.com/resources/the-growth-in-the-machine</a>, accessed September 2018.





- Accelerator programs can facilitate better engagement of life insurance firms with InsurTechs, allowing the former to carefully weigh multiple factors before collaborating further with an InsurTech firm
- Life insurers can develop technological competencies faster by working with InsurTech firms
- Collaboration with incumbent insurers gives InsurTechs access to better insurance data, industry expertise, and more customers
- By adopting an innovative culture, established insurance carriers may be able to develop new products more frequently and with reduced time-to-market



# Trend 10: Integrating with Ecosystem Partners by Leveraging Digital Platforms and APIs

Life insurers are increasing efforts to integrate with ecosystem partners by leveraging digital platforms, APIs, and microservices



### **Background**

- Digital and cloud platforms, along with APIs, can help remote accessibility and enhance collaboration
- Insurance applications developed using a microservices architecture have quick development cycles and are easier to test, deploy, and scale



#### **Key Drivers**

- Insurance companies need to break silos of information, reduce process friction, and improve agility
- There is also a pressing need to reach customers and serve them seamlessly
- The advent of digitally agile firms (including forward-thinking traditional insurers), intensifying competition, and customer expectations for seamless service are driving insurers to integrate with partners efficiently

Exhibit 12: Factors driving integration of insurers with their partners



Source: Capgemini Financial Services Analysis, 2018



- Life insurers will need to effectively integrate with their ecosystem partners such as customers, intermediaries, and third parties to meet industry challenges and opportunities:
  - Integrated systems allow a seamless flow of data and information, which can help insurance companies make a gradual business model shift from policy-to customer centricity
  - Life insurers are already taking steps towards that goal by using digital platforms, APIs, and cloud technology to integrate with other stakeholders in the insurance ecosystem:

- MetLife China partnered with Tencent's digital insurance platform WeSure to provide potential customers with transparent, fast, and convenient insurance solutions. The partnership gives MetLife access to a billion monthly active users on Tencent's mobile communication platform WeChat<sup>44</sup>
- > Allianz Australia views collaboration with third parties as a key to survival and staying relevant in the industry  $^{\rm 45}$
- To fully utilize integration efforts, life insurers need digitally-integrated processes within the organization:
  - Companies such as MetLife are undergoing digital transformations to develop digitallyenabled processes for staying abreast of market dynamics<sup>46</sup>



- Integrating with ecosystem partners can allow life insurers to have a greater reach among customers, seamlessly connect with them, and enhance their experiences
- It can also enable insurers to break down inter-departmental silos by streamlining operations and handling data and processes straight-through and in real time
- Better integration with ecosystem partners can drive better operational efficiencies and reduce turnaround time

<sup>44</sup> Life Insurance International, "MetLife China, WeSure launch aviation accident insurance," June 25, 2018, <a href="https://www.verdict.co.uk/life-insurance-international/news/metlife-china-wesure-launch-aviation-accident-insurance">https://www.verdict.co.uk/life-insurance-international/news/metlife-china-wesure-launch-aviation-accident-insurance</a>, accessed September 2018.

<sup>45</sup> Allianz Australia website, "Customer and collaboration key to surviving digital disruption," March 13, 2018, <a href="https://www.allianz.com.au/media/news/2018/customer-and-collaboration-key-to-surviving-digital-disruption">https://www.allianz.com.au/media/news/2018/customer-and-collaboration-key-to-surviving-digital-disruption</a>, accessed September 2018.

<sup>46</sup> MIT Sloan Management Review, "MetLife Centers Its Strategy on Digital Transformation," August 01, 2017, <a href="https://sloanreview.mit.edu/article/metlife-centers-its-strategy-on-digital-transformation/">https://sloanreview.mit.edu/article/metlife-centers-its-strategy-on-digital-transformation/</a>, accessed September 2018.

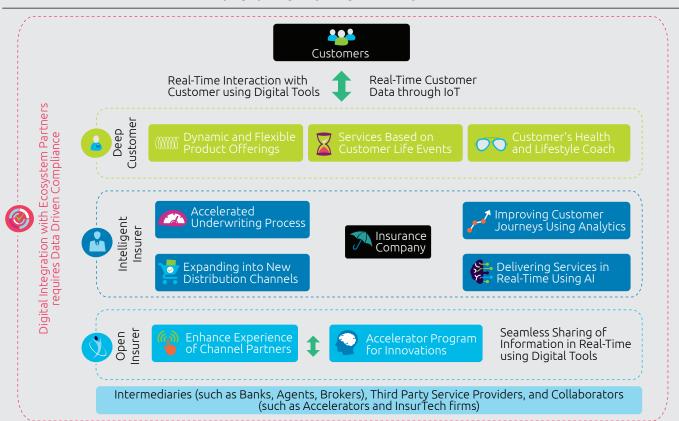
## Conclusion

Today's life insurance trends indicate a future built around a digitally-integrated ecosystem in which all players work together to deliver a seamless customer experience (Exhibit 13).

Increasingly, life insurers are moving to customer centricity by leveraging technologies that allow more customization and personalization. To that end, carriers are interacting with customers in real time to offer tailored services based on deep customer insights while also providing health and lifestyle advice through coaching.

Carriers are working to improve their interactions with customers in two of the most critical channels – agents/brokers/advisors and digital. While adoption of digital tools has empowered channel partners to focus on more value-adding tasks, emphasis on accelerating the underwriting process and making sales intuitive and straightforward has improved customer journeys for those insurers that have embraced this concept.

Exhibit 13: Life insurance trends are shaping up a digitally integrated ecosystem of the future



Source: Capgemini Financial Services Analysis, 2018

Collaboration with InsurTech firms has also emerged as an essential way to develop desired technological competencies quickly. Incumbent insurers that have streamlined internal systems and processes are leveraging technologies such as cloud, microservices, and APIs to integrate seamlessly with other ecosystem players such as channel partners, third-party providers, and customers.

However, full integration requires careful planning as carriers adopt skills and capabilities to survive and thrive in the future market landscape. Life carriers seeking to become *intelligent insurers* can start by building synergistic proficiencies such as real-time data capture and analysis, as well as the use of artificial intelligence and cognitive abilities. <sup>47</sup> These technologies will intensify carriers' *deep customer focus* based on extensive insights derived from granular-level data to enable personalized customer engagements.

Managing and securing data have always been major concerns for carriers. <sup>48</sup> Therefore, automation is a critical next step to enable *data-driven compliance*. Lastly, the transition of life carriers to *open insurers* that drive integration with ecosystem partners will genuinely define the success of life insurers in the future.

<sup>47</sup> Capgemini, "World Insurance Report 2017," https://www.capgemini.com/service/world-insurance-report-2017, accessed September 2018.

<sup>48</sup> Capgemini, "Growth in the Machine: How financial services can move intelligent automation from a cost play to a growth strategy," July 12, 2018, <a href="https://www.capgemini.com/resources/the-growth-in-the-machine">https://www.capgemini.com/resources/the-growth-in-the-machine</a>, accessed September 2018.

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