



Top Trends in Life Insurance: 2020

What you need to know



TABLE OF CONTENTS

Introduction	3
Life insurance industry landscape	4
Trend 01: Insurers explore wellness initiatives to monitor, manage, and improve policyholders' health	6
Trend 02: Life insurers begin to provide flexible offerings to emerging customer segments	8
Trend 03: Ecosystem collaboration opens avenues for insurers to serve customers better	10
Trend 04: Life insurers are exploring digital-only offerings to improve operational efficiencies	12
Trend 05: Insurers reduce customers' purchase cycle to improve customer experience	14
Trend 06: Insurers leverage analytics and AI to enhance the underwriting process	16
Trend 07: Life insurers are exploring a variety of blockchain use cases and long-term benefits	18
Trend 08: Epigenetics may pave the way for personalized life insurance premiums and more accurate underwriting	20
Conclusion	22
References	24
About the Authors	26

Introduction

Aspects of the life insurance industry have remained constant for years – and so have premiums. In today's low interest rate environment, however, customers find traditional, saving-for-the-future policies unattractive. It is difficult to convince younger, healthy individuals to meet with an agent/broker – and that they need life insurance. It is not surprising, then, that insurers are assessing offerings to reinvigorate premium growth.

The risk landscape is changing. The proportionate size of the millennial population is growing. Life expectancy is up. The gig economy is expanding. All these factors are influencing the insurance needs of today's customers. In addition to insurers' traditional *payer* role, they are evolving to take on *partner* and risk *preventer* roles by integrating wealth, health, and lifestyle products with life insurance policies. This new scenario raises an interesting question: is life insurance becoming part of a broader portfolio?

New, agile entrants to the industry are leaving their mark with innovative and unique solutions. However, despite past predictions, they have not dethroned traditional insurers just yet. In order to keep it that way, incumbents must collaborate with ecosystem partners to beef up the competencies necessary to offer customers compelling, modern solutions.



Customer preferences are also evolving rapidly, and insurers must react quickly to retain market share. Policyholders expect a more convenient, digital, personalized, and engaging experience. They want 24/7 services via their channel of choice. In a sense, it is today's customers who are defining the paradigm shift to newer business and engagement models. As a result, life insurers are moving away from past routines that confined their interactions to death claims, and are instead considering policyholders' meaningful life moments to offer new and tailored solutions.

Firm interactions with traditional life insurance customers may have been few and far between, but as simpler products become more prevalent, communication frequency is bound to increase. Moreover, customer/insurer interactions should now be seamless and frictionless – and should not require a conversation with an agent during business hours.

Insurers are also looking at the latest technology advancements – artificial intelligence (AI), data science, and blockchain – to improve efficiency, agility, flexibility, and customer centricity.

Industry players are managing the emerging industry landscape by undertaking tactical and strategic shifts. These shifts will enable insurers near-term survival and readiness for long-term challenges.

Life insurance industry landscape

Life insurance industry premiums remained stagnant, with an estimated real growth rate of just 0.2% in 2018.¹ The traditional savings product has taken a huge hit in terms of attractiveness due to the prevailing low interest-rate environment. Insurers must look for alternative products to breathe a new life into the premiums.

Meanwhile, the industry itself is changing. The **risk landscape** is shifting, and insurers need to align better with the emerging **business environment**, manage changing **customer preferences**, and improve **operational efficiencies**.

New customer segments, with a diverse set of requirements, are emerging. Gig economy workers are one example. A study in 2018 revealed that over a third of US workers participated in the gig economy through either their primary or secondary jobs.² Gig economy workers typically don't have access to group benefits or employer-sponsored health insurance and therefore have coverage gaps that insurers can fill.

Other unique insurance segments with significantly different needs include millennials and an ever-increasing senior citizen population. Since traditional products fall short of meeting the requirements of these customers, life insurers are working to update product portfolios with more relevant, segment-specific offerings.

The industry itself is changing. As customers become more open to sharing additional personal data for better risk control and prevention services, insurers can use this information to assume a more prominent role in customers' lives—to the extent that regulators will allow.

The business environment is also changing rapidly as new players fill gaps in offerings and processes across the value chain. Insurers must bolster their skill and solution sets by collaborating with or acquiring ecosystem specialists to shore up competencies. Tech-savvy insurers may also build out their own set of offerings to remain competitive.

As customers become more technologically savvy, their preferences are evolving. They now seek holistic experiences and highly-personalized products and services, which means insurers must rethink their strategies.

Advancements (big data, analytics, artificial intelligence, and blockchain) open opportunities for insurers to improve operational efficiency and enhance customer experience.

¹ Swiss Re, "sigma No 3/2019: World insurance: the great pivot east continues," July 2019, <https://www.swissre.com/institute/research/sigma-research/sigma-2019-03.html>.

² Gallup, "What Workplace Leaders Can Learn From the Real Gig Economy," Shane McFeely, Ryan Pendell, August 16, 2018, <https://www.gallup.com/workplace/240929/workplace-leaders-learn-real-gig-economy.aspx>.

Business challenges spur a flurry of changes

Life insurers are exploring wellness initiatives and providing flexible offerings to manage emerging risks better. To keep pace with the fast-changing business environment, insurers are collaborating with ecosystem partners. They also are exploring digital-only offerings and reducing the purchase cycle to meet policyholders' increasing appetite for convenience. AI-based analytical tools, facial analytics, blockchain, and epigenetics are being leveraged to enhance operational efficiencies.

Exhibit 1: Life insurers responding to the shifting market dynamics

Emerging Risk Landscape 	TREND 1	Insurers explore wellness initiatives to monitor, manage, and improve policyholders' health
	TREND 2	Life insurers begin to provide flexible offerings to emerging customer segments
Changing Business Environment 	TREND 3	Ecosystem collaboration opens avenues for insurers to serve customers better
Evolving Customer Preference 	TREND 4	Life insurers are exploring digital-only offerings to improve operational efficiencies
	TREND 5	Insurers reduce customers' purchase cycle to improve customer experience
Enhancing Operational Efficiency 	TREND 6	Insurers enhance underwriting process by leveraging analytics and AI
	TREND 7	Life insurers are exploring a variety of blockchain use cases and long-term benefits
	TREND 8	Epigenetics may pave the way for personalized life insurance premiums and more accurate underwriting

Source: Capgemini Financial Services Analysis, 2019

Our *Top Trends in Life Insurance: 2020* report explores the challenges shaping the life insurance industry and discusses strategies insurers are adopting to navigate and align with the insurance ecosystem of tomorrow.

Trend 01: Insurers explore wellness initiatives to monitor, manage, and improve policyholders' health

As industry players evolve from payer to partner and preventer, life insurance companies are increasingly exploring initiatives to monitor, manage, and improve customers' health, not just paying claims upon illness or death.

Background



- The risk landscape is evolving rapidly, and that means insurers must respond proactively. As insurers begin to take a holistic approach to customer risk management, they become more than merely a payer. They are now acting as a *partner* by providing policyholders with value-added services and as a *preventer* by working to control risk.³
- Health and wellness advancements are helping insurers to more actively engage with customers to support wiser health and lifestyle choices.

Key Drivers



- The growing popularity of wearables and health-tracking devices has led to increased collection and availability of policyholder data.
- Customers are also willing to share additional information with their insurers and pay extra for personalized risk control and prevention services.⁴
- The slow market for traditional life insurance products makes value-added services and wellness products a critical priority for insurers to reinvigorate the premiums.

Trend Overview



- Life insurers are becoming a partner to policyholders by accessing their data to provide personalized value-added services. Insurers are also assuming the role of a preventer by coaching their customers to make better health and lifestyle choices.
 - Life insurer John Hancock incentivizes its policyholders to share data and meet predetermined fitness goals by offering discounts.⁵
 - Insurer AIA Australia has linked life and health insurance with its wellness program AIA Vitality. The wellness program rewards customers taking proactive action to understand and improve their health by offering discounted insurance premiums.⁶

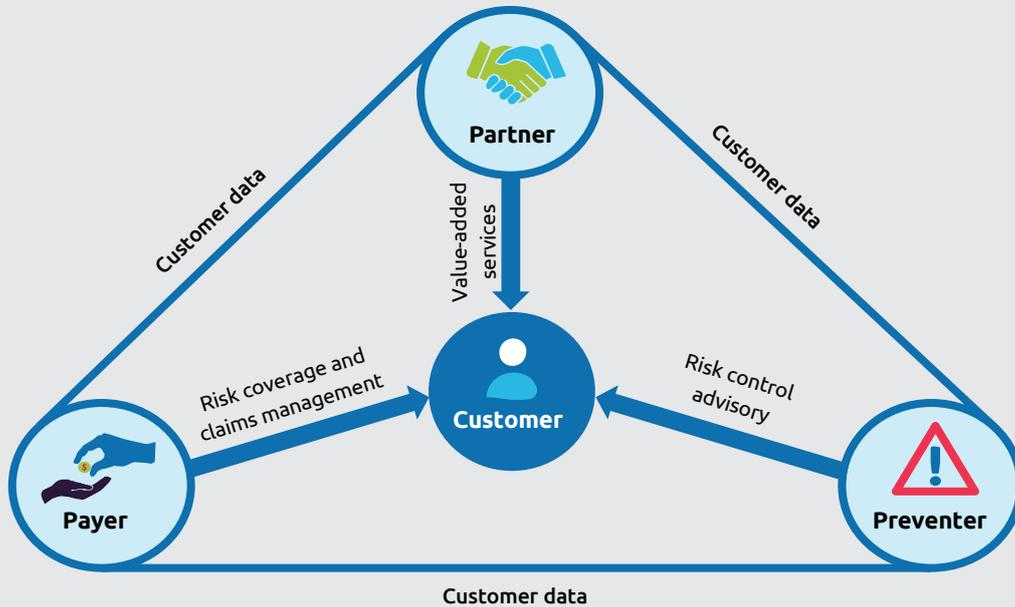
³ Capgemini | EFMA, World Insurance Report, 2019, <https://worldinsurancereport.com/>.

⁴ Ibid.

⁵ The Verge, "What happens when life insurance companies track fitness data?" Angela Chen, September 26, 2018, <https://www.theverge.com/2018/9/26/17905390/john-hancock-life-insurance-fitness-tracker-wearables-science-health>.

⁶ AIA, "AIA AUSTRALIA DEEPENS LINKS BETWEEN HEALTH, LIFE AND WELLBEING," July 31, 2018, <http://www.aia.com.au/en/individual/about-aia/media-centre/press-releases/2018/aia-australia-deepens-links-between-health-life-wellbeing.html>.

Exhibit 2: Insurers take a holistic approach to customer risk management



Source: Capgemini Financial Services Analysis, 2019

- Insurers are collaborating with third parties so they can bundle wellness programs policies as value-added services to provide customers a holistic health management experience.
 - MassMutual-backed InsurTech Haven Life partnered with health and wellness service providers Aaptive and Timeshifter to offer customers health coaching services and a jet lag management tool.⁷
 - Hong Kong-based Prudential Corporation Asia partnered with healthcare tech provider Babylon Health for digital personal health assessment and real-time health information tools.⁸

Implications



- By including health and wellness initiatives into a bundled insurance product, life insurers create new market opportunities.
- Wellness programs will increase customer-insurer touchpoints and open doors to new strategies that life insurers can adopt to improve customer engagement.
- As wellness initiatives encourage a healthier population, insurers’ loss ratios should improve due to lower claim payouts – a win-win situation for both insurers and policyholders.

⁷ Life Insurance International, “Haven Life teams up with Aaptive and Timeshifter to offer wellness services,” June 28, 2019, <https://www.verdict.co.uk/life-insurance-international/news/haven-life-teams-up-with-aaptive-and-timeshifter-to-offer-wellness-services/>.
⁸ Prudential, “Prudential and Babylon join forces to pioneer AI-powered digital health services in Asia,” August 2, 2018, <https://www.prudentialcorporation-asia.com/corp/prudential-pca/en/media-investors/press-release/2018/prudential-and-babylon-join-forces-to-pioneer-ai-powered-digital-health-services-in-asia-00001/>.

Trend 02: Life insurers begin to provide flexible offerings to emerging customer segments

Insurers are exploring ways to cater to underserved populations such as gig economy workers, millennials, and even much older customers.

Background



- Technological advancements have made demand and supply matching easier for service providers and consumers. Gig workers have a complex set of insurance requirements that cannot be fulfilled by traditional insurance products, and often don't have access to group/employee benefits.
- Increasingly, millennials seek products that serve their individual needs versus pre-packaged insurance.
- The aging population continues to live longer while seeking alternative value from insurance policies.
- Combination products made up 27% of the overall US individual life insurance market in 2018.⁹

Key Drivers



- The global gig economy was a US \$204 billion industry in 2018 and is estimated to grow with a CAGR of 17% by 2023.¹⁰
- Unexpected medical expenses, unpaid debt, and changes in the cost of living compel senior and non-salaried customers to look for insurance that caters to their changing needs.
- Millennials lack adequate life coverage – only 10% of millennials in the United States have the necessary coverage, with a gap as much as 78%, according to a New York Life Insurance Company survey.¹¹

Exhibit 3: Factors driving the need for flexible life insurance products



Source: Capgemini Financial Services Analysis, 2019

⁹ InsuranceNewsNet, "Analysts: LTC Hybrid Policies Will Keep Driving Life Insurance Sales," John Hilton, August 14, 2019, <https://insurancenewsnet.com/inarticle/analysts-ltc-hybrid-policies-will-keep-driving-life-insurance-sales>.

¹⁰ MasterCard Newsroom, "MasterCard Gig Economy Industry Outlook and Needs Assessment," May 2019, <https://newsroom.mastercard.com/wp-content/uploads/2019/05/Gig-Economy-White-Paper-May-2019.pdf>.

¹¹ New York Life Newsroom "New study says millennials most 'at risk' generation when it comes to life insurance," November 13, 2018, <https://www.newyorklife.com/newsroom/2018/life-gap-survey-millennials-at-risk>.

Trend Overview



- Insurance companies are coming up with flexible policies to meet the changing needs of non-salaried and gig economy workers.
 - Gig economy workers, typically, lack awareness and are exposed to more risks than full-time, permanent employees. Insurers are beginning to recognize this significant coverage gap and offer tailored solutions.
 - California startup Stride Health developed a gig-workers' benefits platform that allows on-demand service providers to offer contract staff coverage, including life insurance.¹²
 - Uber Eats, in collaboration with Chubb Life Insurance Company of Canada, provides insurance coverage to its bike couriers.¹³
 - Elderly policyholders have unique needs. As life expectancies increase, and earnings decrease, they may outlive their savings. It is becoming critical for life insurers to understand the coverage needs of these customers and offer a suitable solution.
 - India-based Aegon Life offers *iTerm Insurance Plan* to serve non-salaried policyholders by providing flexible coverage up to the age of 100 with updates as required.¹⁴
 - Haven Life, a New York-based InsurTech, offers *AgeUp* an annuity product for customers who may outlive their savings.¹⁵
- Life insurance is not a top priority for millennials. Additionally, their buying patterns are different from other segments, which makes it difficult for insurers to tap into the potential of this segment. Insurers are combining life coverage with targeted offerings to serve the specific needs of a customer, making such policies highly attractive to customers.
 - US-based insurer Prudential, in collaboration with baby registry Babylist, offers a life insurance solution devoted to the needs of a growing population of millennial parents. A custom platform allows expectant parents to receive an estimate of their new coverage requirements seamlessly, while the product can be purchased by friends and family via crowdfunding.¹⁶
- More insurers are focusing on combination products to expand coverage options.
 - In early 2019, US-based life insurer Brighthouse Financial launched *SmartCare*, a hybrid life insurance solution that includes long-term care benefits. SmartCare offers policyholders the ability to grow cash value, death benefits, and LTC coverage through the performance of major market indices.¹⁷

Implications



- The booming startup culture and an increasing number of freelancers, contract, and gig workers will open new revenue streams as insurers serve this growing segment through innovative, flexible products.
- Insurers that provide tailored solutions by understanding the needs, expectations and risk exposures of emerging segments are likely to gain significant customer mindshare, which can ultimately translate to better market share.
- Hybrid/combination products are trending because they offer traditional coverage while also catering to specific customer needs.

¹² MedCity News, "Stride Health launches new benefits platform for gig workers," Kevin Truong, August 22, 2019, <https://medcitynews.com/2019/08/stride-health-launches-new-benefits-platform-for-gig-workers/>.

¹³ Insurance Business Magazine, "Uber Eats to offer its own insurance to couriers in Ontario," Lyle Adriano, May 7, 2019, <https://www.insurancebusinessmag.com/ca/news/breaking-news/uber-eats-to-offer-its-own-insurance-to-couriers-in-ontario-166621.aspx>.

¹⁴ Aegon Life, "Impact of the Gig Economy on the Insurance Market," December 19, 2018, <https://www.aegonlife.com/insurance-investment-knowledge/impact-of-the-gig-economy-on-the-insurance-market/>.

¹⁵ AgeUp website, <https://learn.age-up.com/about/>, accessed November 2019.

¹⁶ Business Wire, "Prudential and Babylist introduce the first life insurance policy new parents can add to registry," July 25, 2018, <https://www.businesswire.com/news/home/20180725005163/en/Prudential-Babylist-introduce-life-insurance-policy-new>.

¹⁷ Business Wire, "Brighthouse Financial Unveils a Smart New Way to Plan for Long-Term Care Expenses," February 13, 2019, <https://www.businesswire.com/news/home/20190213005083/en/Brighthouse-Financial-Unveils-Smart-New-Plan-Long-Term>.

Trend 03: Ecosystem collaboration opens avenues for insurers to serve customers better

Life insurers are leveraging the competencies and reach of ecosystem partners to create opportunities and attract more customers.

Background



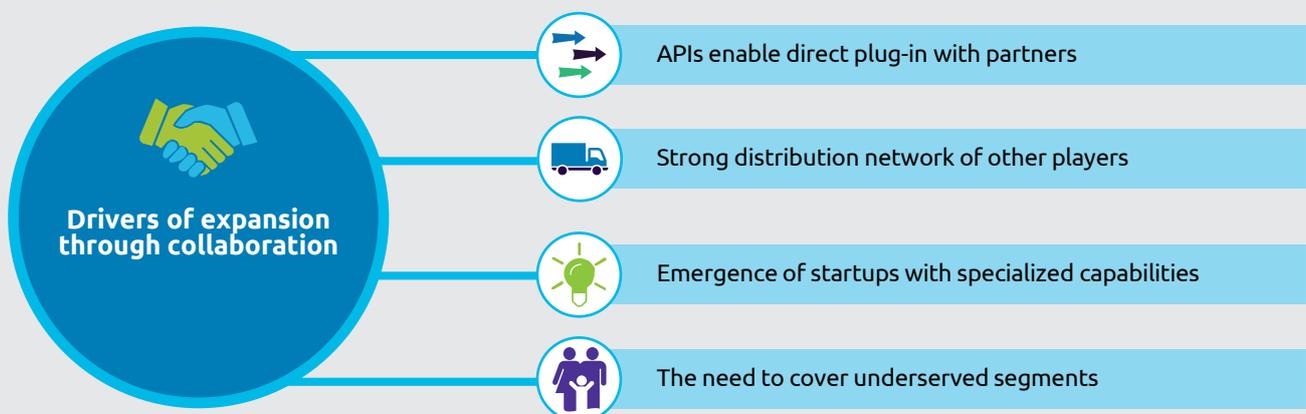
- Mobile phones have changed the way people interact with businesses, making digital methods more accessible than traditional modes of communication.
- With InsurTechs and tech-savvy firms entering the insurance business, established players are adjusting their business models and teaming up with organizations outside of the insurance industry to leverage their distribution network and tap new opportunities.
- Incumbent insurers and InsurTechs are highly interested in partnering with one another as well as with sectors such as healthcare providers, hospitality, retail, etc., to offer better value to end customers.¹⁸

Key Drivers



- Investing in disruptive technology in addition to the costs of maintaining legacy platforms, is unrealistic for most insurers. Instead, they are starting to leverage APIs that plug in directly with partners, enabling them to embed products into other platforms, customer ecosystems, and shopping experiences.
- Consumers trust prominent telcos and retailers with respected brands and robust distribution networks more than insurance brands.
- Insurers that leverage startups with specialized capabilities may engage with customers better and provide targeted offerings.
- Slow premium growth is prompting insurers to reach underserved geographies and customer segments via meaningful collaboration with other players.

Exhibit 4: Life insurers collaborate with ecosystem partners to open new opportunities



Source: Capgemini Financial Services Analysis, 2019

¹⁸ Capgemini | EFMA, World InsurTech Report 2019, <https://worldinsurtechreport.com/>.

Trend Overview



- Insurance firms are collaborating with financial services and non-financial services firms to offer insurance products to an extended set of customers. Such collaboration allows partner firms to provide a broad suite of services and acquire new revenue sources while enabling life insurers to invigorate tepid revenues.
 - Insurers are partnering with telecom providers to leverage the mobile channel for making insurance more accessible to customers.
 - India-based telecom Airtel partnered with HDFC Life Insurance to provide a prepaid bundle with built-in life coverage. The policy requires no paperwork or medical examination.¹⁹
- Insurers are partnering with other financial services firms to expand their reach and provide customers with personalized offerings.
 - US-based FinTech Airfox collaborated with Zurich Insurance to offer a diverse set of digital products such as life insurance, mobile phone insurance, and unemployment insurance.²⁰
 - US-based life insurer Protective worked with InsurTech Health IQ to offer tailored life insurance products for diabetics using Health IQ's proprietary data and Protective's underwriting.²¹
 - India-based payment system and mobile wallet FinTech MobiKwik partnered with ICICI Prudential Life Insurance Company to offer personalized recommendations for microinsurance products based on insights generated from customer data.²²
- Insurers are also collaborating with firms providing white-label solutions to gain access to new capabilities and better serve the needs of their customers.
 - Canadian InsurTech Breathe Life's white-label platform allows life insurers to sell policies digitally by identifying potential customers and matching them with the right products.²³

Implications



- Collaboration with ecosystem partners will help insurers provide coverage to underserved segments.
- By embedding their API(s) into other platforms, insurers can gain quick, cost-effective access to new customer pools and open opportunities to sell on-demand insurance, scalably.
- Holistic offerings provide compelling customer experiences and help insurers monetize relationships by offering third-party services as a part of an extended portfolio of offerings.

¹⁹ The Economic Times, "Airtel partners with HDFC Life to launch prepaid plan with insurance cover," May 13, 2019, <https://economictimes.indiatimes.com/wealth/insure/life-insurance/airtel-partners-with-hdfc-life-to-launch-prepaid-plan-with-insurance-cover/articleshow/69307599.cms>.

²⁰ PR Newswire, "Airfox Teams with Mastercard and Zurich Insurance in Digital Banking Service Expansion," July 3, 2019, <https://www.prnewswire.com/news-releases/airfox-teams-with-mastercard-and-zurich-insurance-in-digital-banking-service-expansion-300879667.html>.

²¹ Business Wire, "Health IQ and Protective Life Launch First Life Insurance Offering Tailored for Diabetics Who Live a Healthy Lifestyle," November 13, 2018, <https://www.businesswire.com/news/home/20181113005680/en/Health-IQ-Protective-Life-Launch-Life-Insurance>.

²² Economic Times, "MobiKwik now offers instant life insurance for Rs 20 on its app," February 21, 2019, <https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/mobikwik-now-offers-instant-life-insurance-for-rs-20-on-its-app/articleshow/68094484.cms>.

²³ Montreal Gazette, "Montreal startup raises \$4.5 million to help sell life insurance to millennials," Jacob Serebrin, February 26, 2019, <https://montrealgazette.com/business/montreal-startup-raises-4-5-million-to-help-sell-life-insurance-to-millennials>.

Trend 04: Life insurers are exploring digital-only offerings to improve operational efficiencies

Insurers are launching digital-only products to speed up the quote-to-issue process and bring in cost efficiencies in customer service.



Background

- Incumbent insurers are bogged down by legacy systems while customers' demands are expanding in terms of ease, accessibility, and availability of innovative products.
- 32% of Gen-X customers research and purchase life insurance policies entirely online, according to the 2018 Insurance Barometer Study by the Life and Health Insurance Foundation for Education (LIFE) and LIMRA.²⁴



Key Drivers

- Insurers need to reach customers in a cost-efficient manner.
- Digital channels have gained importance due to the proliferation of mobile devices.
- Customers are more willing to complete the entire policy purchase process online.
- Customers seek more convenience, customization, and engagement from insurance carriers.



Trend Overview

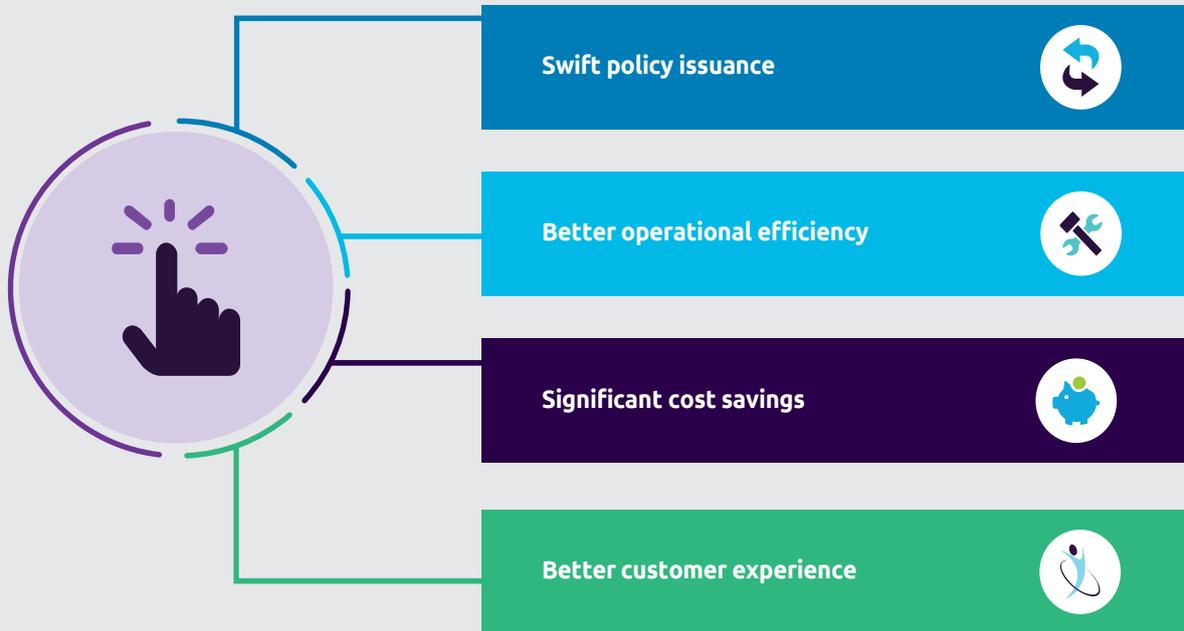
- Life insurance companies are going digital-only and selling policies directly to customers, especially for more straightforward products.
 - Disintermediation gives insurers more control over the value chain and customer interactions.
 - Late in 2018, Hong Kong awarded Bowtie Life Insurance, an InsurTech backed by Sun Life Financial's Hong Kong unit, with the first online-only insurance license under the city's "fast-track" scheme. Bowtie sells its policies directly to customers without any intermediaries, which cuts down costs.²⁵
- Instead of the traditional underwriting processes, insurers use customer responses to a set of questions to speed things up.
 - HSBC Insurance Singapore launched an online-only platform that allows customers to purchase a policy by answering just three underwriting questions.²⁶

²⁴ Insurance Information Institute, "Facts + Statistics: Life insurance," <https://www.iii.org/fact-statistic/facts-statistics-life-insurance>, accessed September 2019.

²⁵ Reuters, "Hong Kong gives first online-only insurance licence to Sun Life-backed firm," December 20, 2018, <https://www.reuters.com/article/hongkong-insurance/hong-kong-gives-first-online-only-insurance-licence-to-sun-life-backed-firm-idUSL3N1YP2LL>.

²⁶ International Investment, "HSBC Singapore launches fast online-only life insurance platform," Christopher Copper-Ind, May 15, 2019, <https://www.internationalinvestment.net/internationalinvestment/news/3500378/hsbc-singapore-launches-fast-online-life-insurance-platform>.

Exhibit 5: Benefits of digital-only offerings



Source: Capgemini Financial Services Analysis, 2019

- Insurers leverage advanced analytical models to underwrite policies swiftly and speed-up the policy issue process.
 - US-based InsurTech Ethos verifies applicant’s self-reported data with their medical and pharmaceutical records and uses predictive analytics for underwriting, enabling the company to issue policies on the spot.²⁷
- Insurers are expanding customer interaction models to include various self-service options that leverage intelligent chatbots, and virtual and voice assistants.
 - Self-service options allow firms to scale back customer support centers and improve cost efficiency.
 - Insurers can analyze newly-available customer insights to personalize engagements and increase touchpoints based on policyholders’ life events.

Implications



- Fully digital platforms with streamlined processes would help insurers to operate more efficiently and issue policies swiftly.
- An online-only presence – with no mandatory medical test requirements or intermediaries – would lead to significant cost savings for insurers, which could be passed on to customers.
- Around-the-clock availability, better customization, and fast policy issuance would boost customer experience.

²⁷ Forbes, “Life Insurance Startup Ethos Valued At More Than \$400 Million After Series C Raise,” Donna Fuscaldo, August 27, 2019, <https://www.forbes.com/sites/donnafuscaldo/2019/08/27/life-insurance-startup-ethos-valued-at-more-than-400-million-after-series-c-raise/>

Trend 05: Insurers reduce customers' purchase cycle to improve customer experience

Life insurers are leveraging digital platforms and technologies to reduce customer purchase cycles – drastically, in some cases – to create a relatively hassle-free customer experience.

Background



- The traditional life insurance purchase process is slow, which has resulted in high not-taken rates.
- Insurers seek faster processes to keep customers engaged as they transition through various purchase stages, such as awareness, consideration, decision, and purchase.
- Insurers are evolving to become more friendly and faster by leveraging a vast pool of digital technologies.

Key Drivers



- Some customers prefer straightforward, easy-access offerings that allow fast, convenient, self-service options.
- Customer frustration with slow and tedious traditional processes is driving insurers to speed up product purchases.
- Advancements in technologies such as robotic process automation (RPA), artificial intelligence (AI), and cognitive document processing (CDP) can help insurers automate processes.

Trend overview



- Supported by robo advisors, insurers are creating intuitive procedures that offer consumers interactive, personalized advice along the buying journey and decision-making process.
 - Clark, a German InsurTech, offers robo-advisory services via a mobile app that can analyze policy gaps and help insurers improve coverage.²⁸
- Insurers leverage technology and data, both internal and from third parties, to streamline quote generation and underwriting processes and to simplify coverage application steps.
 - InsurTech Untangler uses AI to recognize inbound customer data in any format and transform it into readable data that insurers can use to generate quotes directly.²⁹
 - North American Company for Life and Health Insurance (a Sammons company) simplifies the application process by leveraging publicly-available data and a short telephone interview to eliminate the lengthy application procedure and medical exam requirement.³⁰
- Insurers are becoming more customer centric by utilizing advanced and widely accepted digital channels to beef up engagement.
 - Future Generali India Life Insurance delivers policy documents instantly and directly via WhatsApp to enhance convenience and accessibility.³¹

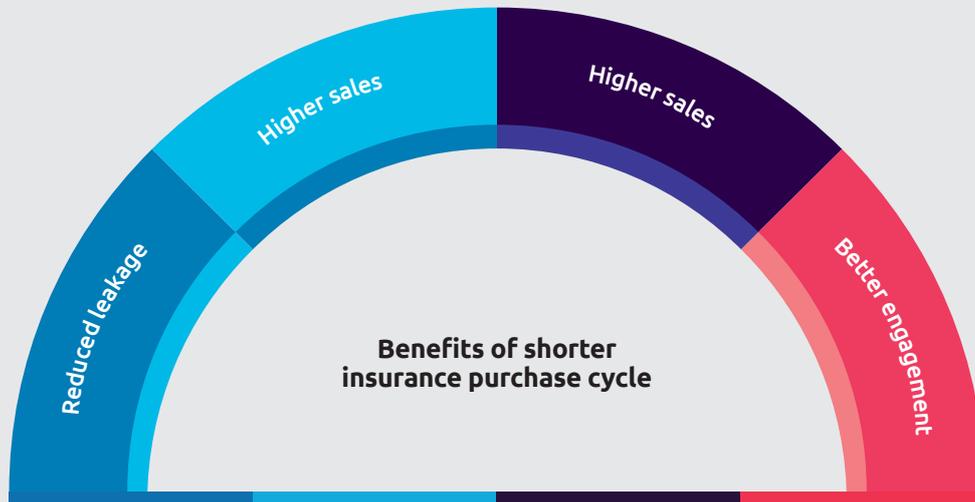
²⁸ Techcrunch.com, "German insurance 'robo-advisor' Clark scores \$29 million Series B," Steve O'Hear, April 25, 2018, <https://techcrunch.com/2018/04/24/clark-robo-advisor/>.

²⁹ Insurance Edge, "InsurTech: New Untangler App Wants to Solve Quotes Roadblock," May 17, 2019, <https://insurance-edge.net/2019/05/17/insurtech-new-untangler-app-wants-to-solve-quotes-roadblock/>.

³⁰ Globenewswire.com, "North American Introduces WriteAway Accelerated Underwriting," January 30, 2018, <https://www.globenewswire.com/news-release/2018/01/30/1314241/0/en/North-American-Introduces-WriteAway-Accelerated-Underwriting.html>.

³¹ Times of India, "Future Generali India Insurance starts delivering policies via WhatsApp," PTI, July 13, 2018, <https://timesofindia.indiatimes.com/business/india-business/future-general-India-insurance-starts-delivering-policies-via-whatsapp/articleshow/64959650.cms>.

Exhibit 6: Shortening the purchase cycle



Source: Capgemini Financial Services Analysis, 2019

Implications



- Agile, efficient systems will optimize the customer acquisition funnel through significantly less drop off to improve sales conversion rates.
- Customer experience will improve as the application process becomes simpler and faster, and insurers offer guidance throughout the buying cycle.
- As insurers leverage digital channels to connect with customers more quickly, engagement will improve.
- A digitally enhanced purchase journey allows carriers to offer prospects greater convenience and an improved experience, which bolsters credibility and improves the likelihood of customer satisfaction.

Trend 06: Insurers leverage analytics and AI to enhance the underwriting process

Advances in data capturing tools, analytical techniques, and AI algorithms are making underwriting automation and improvements possible.

Background



- Solutions built around artificial intelligence (AI) are on the rise. Today's life insurers use intelligent automation tools to improve processes across the value chain, especially underwriting.
- About half of all US consumers prefer simplified underwriting over traditional processes that require blood or urine samples, according to the 2019 Insurance Barometer Study from Life Happens and LIMRA.³²

Key drivers



- Customers demand fast and convenient services.
- Traditional underwriting is slow and requires medical tests and burdensome paperwork, which is driving insurers to explore new, more customer-friendly processes.
- Technological advancements in data analytics and AI enable insurers to leverage data as an asset and assess risks better.

Trend overview



- Increasingly, life insurers are turning to analytics and AI to generate insights from vast amounts of data to improve underwriting accuracy and speed.
 - Bermuda-based reinsurer Partner Re and data analytics company Verisk collaborated to develop a life insurance underwriting solution that uses advanced voice analytics and AI technologies to identify applicants requiring further testing.³³
 - Canadian insurer Manulife beefed up its internal data and analytical capabilities with an AI algorithm that speeds up the underwriting process.³⁴
- Predictive modeling techniques and machine learning algorithms are also being used to automate underwriting.
 - Munich Re Automation Solution, a subsidiary of global reinsurer Munich Re, unveiled an automated underwriting solution for the global mid-tier insurance market in late 2019. Now, firms can use their own data streams and analytical solutions to automate underwriting.³⁵

³² Life Happens, "2019 Insurance Barometer Study: Nearly Half of Americans More Likely to Buy Simplified Underwritten Life Insurance", April 1, 2019, <https://lifehappens.org/press-releases/2019-insurance-barometer-study-nearly-half-of-americans-more-likely-to-buy-simplified-underwritten-life-insurance/>.

³³ Reinsurance News, "Verisk & PartnerRe leverage AI to transform life insurance underwriting," Luke Gallin, October 25, 2019, <https://www.reinsurancene.ws/verisk-partnerre-leverage-ai-to-transform-life-insurance-underwriting/>.

³⁴ Investment Executive, "Manulife introduces new whole life product and AI underwriting algorithm," June 19, 2018, <https://www.investmentexecutive.com/news/products/manulife-introduces-new-whole-life-product-and-ai-underwriting-algorithm/>.

³⁵ Insurance Business Magazine, "Munich Re launches automated underwriting tool," Gabriel Olano, October 17, 2019, <https://www.insurancebusinessmag.com/asia/news/technology/munich-re-launches-automated-underwriting-tool-180707.aspx>.

Exhibit 7: Enhanced underwriting advantages



Source: Capgemini Financial Services Analysis, 2019

- Life insurers are also leveraging facial analytics to offer customers a fast, efficient, and more engaging onboarding experience.
 - In early 2019, US-based reinsurer Gen Re introduced NOW, a mobile app that uses facial analytics to estimate the age, gender, and BMI of a prospect. The result? Policies can be issued quickly and without medical examination or paperwork.³⁶

Implications



- An accurate and fast underwriting process can eliminate error-prone manual paperwork, accelerate customer onboarding, and improve customer experience.
- Advanced analytics and AI can offer quick and cost-effective alternatives to slow and expensive medical tests.
- Analytics can be used to assess customers' smoking and drinking behavior effectively, helping insurers price risk more accurately.

³⁶ Reinsurance News, "Gen Re develops facial analytics app for insurance buyers," Matt Sheehan, February 14, 2019, <https://www.reinsurancene.ws/gen-re-develops-facial-analytics-app-for-insurance-buyers/>.

Trend 07: Life insurers are exploring a variety of blockchain use cases and long-term benefits

Insurers are exploring blockchain-based solutions for proof of identity, seamless data sharing, and claims processing.

Background



- Data safety and integrity are critical concerns for insurers and policyholders.
- Blockchain technology creates transparent operations built on trust and stability.
- A blockchain is a cryptographically-secured, shared ledger (or database) that allows policyholders and insurers to track and manage physical assets digitally. It maintains a central data repository that updates with each transaction and creates a permanent audit trail to ensure trust among all network peers.
- Blockchain solutions can streamline processes, secure transactions, detect claims fraud, and reduce administrative costs through automated verification of third-party data, and insurers are exploring multiple use cases with potential long-term benefits.

Key Drivers



- Legacy infrastructure is slow, and data is disparate and siloed, which leads to inefficient processes.
- The traditional life insurance value chain includes several intermediaries such as agents and brokers, which can foster high administrative costs.
- Blockchain offers enhanced security through the use of distributed ledgers. Since each network participant transaction is independently logged (yet transparent to all), any spurious activity can be identified quickly.

Trend Overview



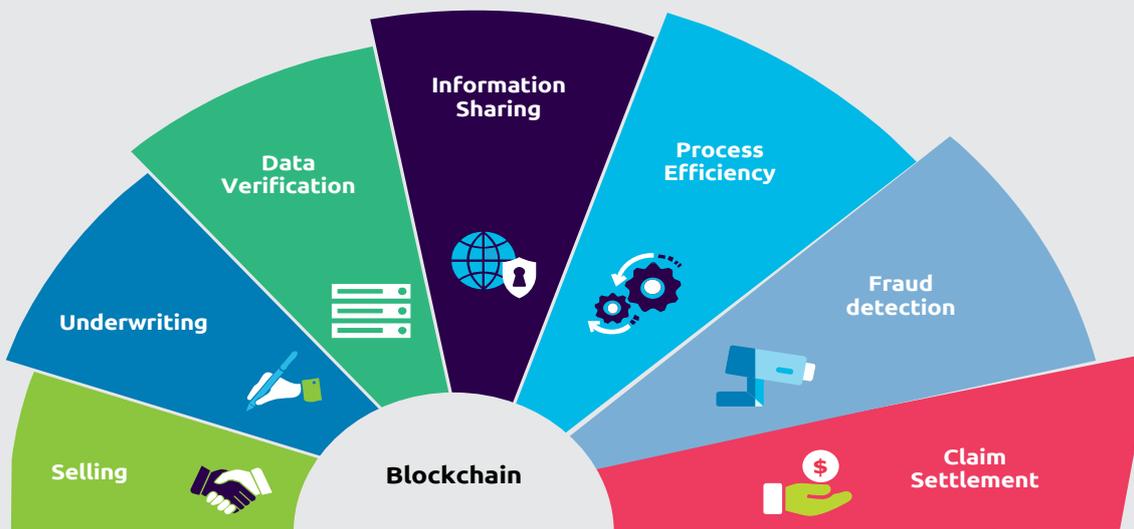
- The applications of blockchain in life insurance may range from selling, distribution, underwriting, and fraud detection, to claims initiation and settlement.
- Some life insurers are leveraging blockchain to streamline the death claims process and make it more customer-centric to mitigate instances of unclaimed benefits.
 - MetLife's incubator LumenLab, in collaboration with Singapore Press Holdings and NTUC Income, is building a smart contracts platform, *Lifechain*, to help families quickly determine whether the deceased had a policy and to file a claim automatically.³⁷
 - The Institutes RiskStream Collaborative (formerly known as The Institutes RiskBlock Alliance) and LIMRA have developed a blockchain app, *Mortality Monitor*, to leverage Social Security data, policyholder records, and other data sources to help insurers quickly notify eligible beneficiaries about pending life insurance death benefits.³⁸

³⁷ Forbes, "MetLife Plans to Disrupt \$2.7 trillion Life Insurance Industry Using Ethereum Blockchain," Steven Ehrlich, June 19, 2019, <https://www.forbes.com/sites/stevenehrlich/2019/06/19/metlife-plans-to-disrupt-2-7-trillion-life-insurance-industry-using-ethereum-blockchain/#479827d92770>.

³⁸ Ledger Insights, "RiskBlock, LIMRA Select Blockchain Life Insurance App," Nicky Morris, September 2018, <https://www.ledgerinsights.com/riskblock-limra-blockchain-life-insurance-death-notification/>.

- Blockchain solutions facilitate data sharing among insurers to reduce the risk of data breaches, fraud, and money laundering.
 - In India, a group of life insurers formed a consortium to facilitate data sharing and reduce their dependence on third parties for obtaining customer information for purposes such as know your customer (KYC), risk assessment, fraud detection, and regulatory compliance.³⁹
- Increased use of blockchain opens the opportunity to create a secure, secondary market for life insurance policies.
 - Singapore-based startup FidentiaX is creating a trading marketplace through which policyholders can sell their life insurance policy. For insureds, a secondary market provides greater flexibility and could encourage more people to take out insurance. For insurers, broadened consumer options could be a boon for sales.⁴⁰
- Insurers can also leverage blockchain to license and validate agents, to automate death claims and payouts, and to ensure the availability of information for all pension-plan parties.

Exhibit 8: Blockchain applications within the life insurance value chain



Source: Capgemini Financial Services Analysis, 2019

Implications



- Blockchain-based claims processing systems could streamline processes, reduce costs, and improve customer experience by sparing the customer from going through the claims filing process.
- With insurers banding together to form consortia (such as Zurich-based startup B3i), the blockchain ecosystem may sweep across the industry, merging silos.
- With higher security and transparency, blockchain will help cut losses through KYC automation and fraud prevention.

³⁹ Economic Times, "Indian life insurers' consortium and Cognizant build industry-wide blockchain solution," April 16, 2018, <https://cio.economictimes.indiatimes.com/news/digital-security/indian-life-insurers-consortium-and-cognizant-build-industry-wide-blockchain-solution/63782077>.

⁴⁰ Ledger Insights, "A Secondary Market for Life insurance using Blockchain," Nicky Morris, September 2018, <https://www.ledgerinsights.com/secondary-market-life-insurance-blockchain/>.

Trend 08: Epigenetics may pave the way for personalized life insurance premiums and more accurate underwriting

Insurers are exploring epigenetics as an alternative data source to enhance product personalization and improve underwriting.

Background



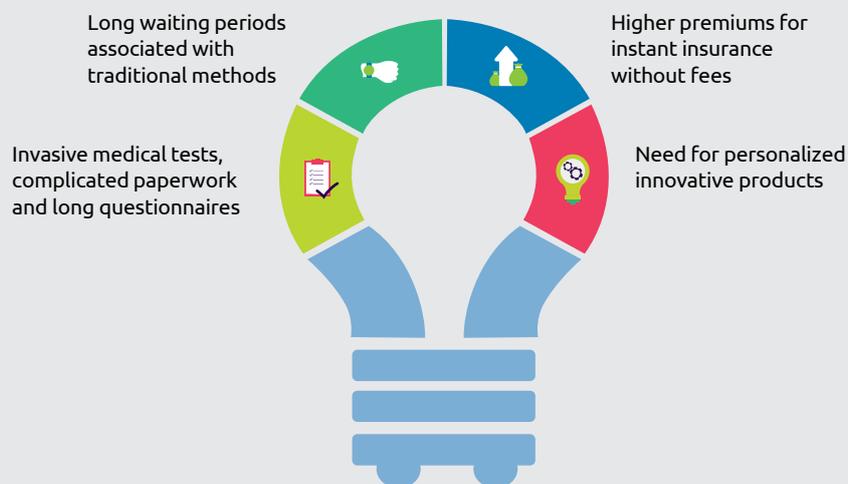
- Epigenetics is an emerging science that studies changes that activate and deactivate genes without altering the underlying DNA sequence.
- A wide range of factors influences epigenetics, such as diet, nutrition, medication, drug abuse, alcohol, pollution, exercise, and stress.
 - Epigenetics can offer vital insights related to biological age, life expectancy, health, and the well being of an individual.
- Health insurance regulators prohibit the use of genetic information. However, there is no such mandate for life insurers. Depending on the regulators, life insurers may continue exploring ways to leverage epigenetics as an alternative data source. Approval – and how such data is used – will likely vary widely by country or even within countries.

Key Drivers



- Epigenetics provides an opportunity to reduce the long waiting periods associated with traditional diagnostic methods and can speed up insurance delivery.
- Complicated paperwork and long medical questionnaires required for non-invasive testing will no longer be necessary, thus enhancing the customer journey.
- Epigenetics opens the door to innovative life insurance product development, and faster insurance delivery at a viable price point compared with high-premium instant insurance delivered without medical testing.

Exhibit 9: Why insurers are exploring epigenetics as an alternative data source



Source: Capgemini Financial Services Analysis, 2019

Trend Overview



- Epigenetic testing is significant for the life insurance industry because it assesses various genomic markers that can better ascertain an applicant's mortality, smoking, and drinking behaviors.
 - Digital life insurance startup YouSurance (a subsidiary of Minneapolis-based GWG Holdings) assesses applicants' health and lifespan using epigenetic biomarkers and provides policyholders an assessment of their biological age, which can differ from their chronological age. The company is also working with carriers to integrate epigenetics into life insurance underwriting.⁴¹
- Insurers can leverage epigenetics as an all-cause mortality test for reliable insights into a policyholder's health risk profile.
 - Epigenetic methylation patterns can help carriers estimate an individual's biological age. Any discrepancies with chronological age may indicate accelerated or decelerated aging, correlating with earlier or delayed mortality.
 - The correlation of these tests to insights remains unchanged across race/ethnicity, gender, smoking status, activity level, and disease status.
 - A MetLife accelerator program participant, Helixco, is an InsurTech that specializes in saliva-based molecular diagnostics that analyze humans' oral microbiome for potential links to illnesses. Such testing could potentially improve the accuracy of insurance premium calculation.⁴²

Implications



- Millennials want quick, no-hassle instant insurance, which can be costly because medical tests have traditionally taken time. Through epigenetic testing, however, carriers can access an individual's risk profile quickly and provide instant life insurance at a viable price point.
- Non-intrusive epigenetic tests will allow greater precision in pricing and product personalization while ensuring there's no anti-selection.
- Life insurers can capitalize on epigenetics data and use personal insights to develop preventive services that will potentially improve the health and longevity of policyholders.
- Better availability of customer data will reduce the risk of adverse selection for insurers.

⁴¹ GlobeNewswire, "YouSurance is First to Assess Health and Lifespan Using Epigenetic Biomarkers for Life Insurance Applicants," October 2, 2018, <https://www.globenewswire.com/news-release/2018/10/02/1588637/0/en/YouSurance-is-First-to-Assess-Health-and-Lifespan-Using-Epigenetic-Biomarkers-for-Life-Insurance-Applicants.html>.

⁴² Business Wire, "MetLife Korea Names Seven Finalists in Insurtech Innovation Challenge: collab 5.0," April 16, 2019, <https://www.businesswire.com/news/home/20190416006069/en/MetLife-Korea-Names-Finalists-Insurtech-Innovation-Challenge>.

Conclusion

To thrive over the long term, life insurers must understand customer expectations and market trends while maintaining the right partnerships to innovate at the speed and scale necessary to stay competitive. We call such a carrier an *Inventive Insurer*.

An Inventive Insurer must be prepared to build a **customer-centric** approach, support **product agility**, adopt **intelligent processes**, and foster an **open ecosystem** (Exhibit 10).

Exhibit 10: Life insurers are acquiring Inventive Insurer competencies

 Customer Centric	<ul style="list-style-type: none">▪ Build a deeper knowledge of the customer to customize products, services and customer touchpoints▪ Leverage data as an asset for value-added services and adjust premiums based on behavior
 Product Agility	<ul style="list-style-type: none">▪ Develop new products, policies, technologies, and/or services swiftly and deploy at scale▪ Culture to enable innovation at scale, covering customers' missions (not just assets) and helping prevent risks instead of just covering them
 Intelligent Processes	<ul style="list-style-type: none">▪ Make end-to-end business processes more intelligent, efficient, and effective using Intelligent Automation▪ Build a data-driven culture with robust governance and compliance
 Open Ecosystem	<ul style="list-style-type: none">▪ Modern platform with open architecture for providing bouquet of offerings for all types of insurance policies▪ Integrate seamlessly with InsurTechs, new data sources and distribution models, and collaborate with third party

Source: Capgemini Financial Services Analysis, 2019

Insurers are seeking inventive-insurer capabilities to manage the evolving landscape. Epigenetics offers customer insights and digital platforms to deliver personalized premiums. More accurate underwriting and shorter purchase cycles will improve customer experience.

Today's life insurers are more agile and able to offer flexible products for emergent customer segments such as gig workers, older age segments, and millennials. They are also creating digital-native products to improve customer experience and operational efficiency.

They are making business processes more intelligent and effective by exploring new use cases for technologies such as blockchain and facial analytics to drive faster underwriting and claims processing, better risk profiling, and new revenue streams.

Life insurers are also taking advantage of open architectures and collaboration with ecosystem partners to serve policyholders better by assuming the roles of *partner* and *preventer* – in addition to their traditional *payer* role.

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