

# NextWave Insurance: life insurance and retirement

How insurers can navigate to growth  
in the next decade



# Contents

Leadership letter .....	3
Executive summary .....	5
Market profile and megatrends.....	7
2020 market profile .....	7
Megatrends for 2030 .....	11
A tale of multiple markets .....	14
Four generations of customers: the people life insurers will serve in 2030 .....	17
Scenarios: six stories of market leadership in the next decade .....	20
Six prevalent business models, circa 2030: how tomorrow's top performers will go to market and operate .....	33
Leading the next wave: imperatives and frameworks for a more purposeful and profitable future.....	38
Imperative actions .....	38
Templates for transformation.....	40
Conclusion .....	42
Further reading .....	43
Contacts .....	44

# A message from the EY Insurance leadership team

Given the nature of the life insurance and retirement market, its leaders have always taken long-term views of their strategic horizons and growth prospects. Today, a combination of economic, technological, competitive, demographic and societal shifts – plus the COVID-19 pandemic – have increased the urgency for proactive change.

The macroeconomic challenges alone, including persistently low interest rates and strained government finances, are formidable. Success in the next decade and beyond requires thoughtful action now.

Our recent interactions with executives from leading insurance companies around the world confirm there is greater appetite for operational, organizational and technological transformation today than ever before. The rapid shift to remote working and all-digital customer touchpoints revealed how quickly companies could adapt to changing circumstances. It also made clear how much more work remains to enhance and integrate digital channels and to become truly customer-centric.

The upside growth potential for the industry is enormous, especially given the clear opportunity insurers have to live their purpose, strengthen customer trust and take advantage of increasing demand caused by COVID-19. Addressing critical societal issues, starting with the protection and retirement savings gaps, will be good for business and encourage innovation and transformation. What industry is better positioned to deliver the financial security so many consumers need and want?



**Isabelle Santenac**

Global  
Insurance Leader



**Peter Manchester**

EMEIA  
Insurance Leader



**Ed Majkowski**

Americas  
Insurance Advisory Leader



**Grant Peters**

Asia-Pacific  
Insurance Leader

We believe the path to growth and profitability runs through purpose and insurers should start the journey by building on their historical strengths. In contrast, firms that move too slowly in retooling or reimaging their business models risk further erosion of their market share.

Protecting people against risk and preserving their overall well-being will remain at the core of the industry. But how companies fulfill that purpose will look vastly different. There will be significant new products and value propositions, as well as richer, omnichannel experiences for all customer types. Workforces will be considerably leaner and feature new skills and talents. Distribution networks will be remixed. There will be much more sophisticated use of advanced technology.

Like the others in our [NextWave Insurance series](#), this paper describes the major forces reshaping the life insurance and retirement market now and how they will play out during the next ten years. It offers generational portraits of tomorrow's customers, snapshots of the business models that will prevail in 2030, and imperatives and recommended actions for moving forward.

The entire EY Insurance team is energized by the unprecedented level of transformational activity and creative thinking that is taking place across the industry globally. It's encouraging to see that even in a time of widespread uncertainty so many are working to build a brighter, more purposeful future for the life insurance and retirement sector.

The EY Global Insurance NextWave vision represents our perspective on the most powerful trends and forces shaping the industry's future. The process brings together thinking from our global leaders, industry and functional professionals and technologists, as well as outside experts and academics. In collaborative ideation workshops, these groups help clients envision a brighter future and map out the road ahead.

Protecting people against risk and preserving their overall well-being will remain at the core of the industry. But how companies fulfill that purpose will look vastly different.

# Executive summary

A complex mix of economic, technological, competitive and societal trends have the global life insurance and retirement<sup>1</sup> industry facing an inflection point.

Interest rates have remained too low for too long for past strategies to be effective now. The product-driven business models of the past will not be sustainable in the future, primarily because they can't adapt quickly enough to changing customer needs, not to mention broader social and economic trends. In the face of large and growing protection and savings gaps, society also needs something different from the industry; life insurers must (re)define their role if they want to help address these changes.

Given the range of differences in product offerings, growth and penetration rates, regulatory landscape, technology maturity, demographics, cultural norms and public finances, there is no such thing as a single global life insurance and retirement market. Rather, there are many individual markets, presenting unique opportunities and risks. They do have a few things in common, including increasing investments in innovation, convergence with other sectors, intensifying competition and rising customer expectations. While the direction of travel is similar across some markets, each is starting from a different point and moving at its own speed.

<sup>1</sup>Note: We refer to the "life insurance and retirement industry" to reflect the increasing overlap of the protection and savings markets, encompassing both traditional insurers selling annuities and wealth and asset managers selling retirement savings and income products.

The US market first signaled that major strategic reassessments are in order. In the world's largest life insurance market by GWP in 2019, premiums have remained flat during the last decade and the customer base has declined by 14% since 2011. Trillions of dollars of assets have migrated away from US life insurers. Even where regulation creates opportunity (such as the 2019 SECURE Act in the US), low interest rates make it hard for insurers and annuity providers to take advantage. In the UK, auto enrollment in workplace pensions has brought in 10 million new customers, but the growth in assets has been limited because in many cases individuals are moving money between accounts and providers.

More stringent regulations for financial reporting, solvency and consumer protection in the US, UK, EU, Australia and other markets have sparked new or reinforced historical shifts to third-party, fee-based distribution models and furthered the decline in traditional savings products. More regulatory activity is to be expected in the coming decade, with many markets moving toward more detailed reporting and stricter guidance regarding consumers being offered appropriate products. In many mature markets, the pressure to digitize distribution increases as the agent force ages and cost pressures mount.

The product-driven and distribution-centric models of the past will not be sustainable in the future, primarily because they no longer reflect what customers want.



gettyimages<sup>®</sup> | 25 years  
Jose Luis Pelaez Inc

In contrast to the sluggish performance of mature markets, China and other emerging markets have experienced more dynamic growth since the global financial crisis. The growth has come about due to overall economic growth - specifically a rise in disposable household income - and a very low initial penetration rate. They are dominated by strong, innovative and extremely valuable brands, some of which view themselves as technology companies. Despite the impressive and ongoing growth, these markets will eventually encounter many of the same challenges faced by their peers and competitors in the more mature markets.

A challenging macroeconomic environment (including global trade tensions), persistently low interest rates and extremely tight margins confirm that bold action is imperative. COVID-19 has only increased the urgency. Many forward-looking carriers are already mobilizing to meet the moment, with historically large investments in digitization, innovation and cultural change. These proactive and forward-looking efforts offer a stark contrast to past challenges, when defensive cost-cutting was the typical response. The good news is that increased digitization will help reduce costs at the same time that it enhances customer experiences.

The potential upside is compelling for life insurers that can master the many moving parts of transformation. The projected US\$240 trillion retirement and US\$160 trillion protection gaps in 2030 point to the industry's growth potential - and its ability to make a huge contribution to the overall well-being of individuals, families and society as a whole. Of course, the competition for that revenue and market share will be intense and involve new players - from large asset managers to digital-first startups to tech giants. And the insurance industry can't do it alone; it will have to engage governments and regulators to develop strategies to close these gaps.

Innovation is necessary to seize the upside. For instance, insurers will emphasize risk-informed protection products (e.g., those built on the sharing of biometric data from wearable devices and from electronic medical records) to ensure more accurate pricing. Investment products will need to be redesigned (and repriced) to reflect market realities. As such, we expect further market bifurcation between protection and investment products.

The financial strength of established life insurers and their history of resilience confirm that they can execute the necessary near-term pivots and drive the broader transformations that are necessary for breakthrough growth. However, the scale of the necessary change to reinvigorate their purpose and capture the opportunity is bigger than they have historically faced. The decisions and actions undertaken today will begin to determine who's on top of the market in 2030.

In describing the megatrends, market scenarios and future business models for the next decade, this report raises a range of implications and questions for insurance C-suites. We hope you find our observations both intriguing and useful. We look forward to fruitful discussions about the future of your organization.

The financial strength of established life insurers and their history of resilience confirm that they can execute the necessary near-term pivots and drive the broader transformations that are necessary for breakthrough growth.

# Market profiles and megatrends

## Market profile

### Persistently low interest rates

It's difficult to overstate the challenges low interest rates present to the industry. Beyond pressures on earnings, capital and liquidity, they threaten the viability of traditional and guaranteed insurance products. They also force the development of new types of investment products (e.g., those with no or only soft guarantees).

Low interest rates are not the only threat however; decreasing home ownership, increased unemployment and more gig working (and therefore more reliance on the state) are other significant issues. The impact of COVID-19 will be felt both through GDP contraction and lower stock prices.

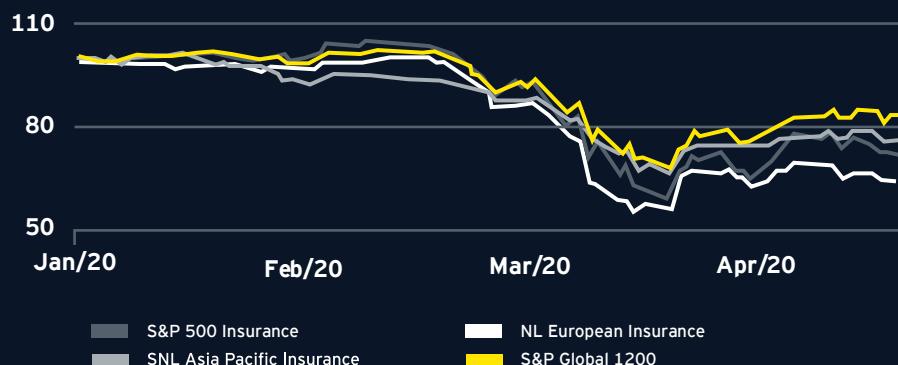
Low yields for 10-year government bonds in key developed markets (June 2020)



Source: Bloomberg

### The impact of COVID-19

Material losses suffered by insurance indices in Q1 2020



-4.9%

Expected decrease in GDP cumulatively by the world's 10 largest insurance markets compared to 2019, as a direct result of COVID-19

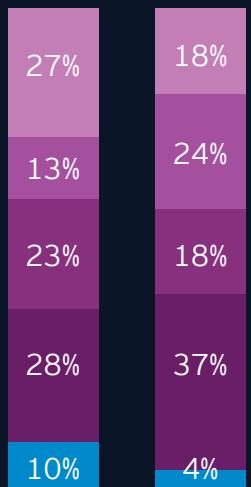
Source: Swiss Re

Source: Asia Insurance Review, EY analysis

## Competition for assets

As insurers have bought into the asset management businesses, they have confronted new challenges - including tight profit margins and competition with banks, private equity firms and pension funds.

### Share of household financial assets by asset class



A mature asset management sector poses a serious threat to life insurers' ability to grow in the retirement space.

**\$3 trillion**

of household assets shifted from life insurers to asset managers in US since 1995

Source: EY analysis

## Strengths to build on

Despite the challenges, insurers have generally strong balance sheets, unparalleled expertise in risk selection and management and well-recognized brands. Their strong embedded networks of agents, financial advisors, banks and brokers are another plus providing competitive edge.

**>150%**

solvency rates of the top 20 insurers, 2019

Source: S&P Market Intelligence

**>200%**

solvency rates of 17 of top 20, 2019

Source: S&P Market Intelligence

**44%**

of global consumers citing brand reputation as important when buying insurance

Source: ReMark, SCOR

## Lagging relevance and unclear value

In the world's largest market, insurers must tell a better and more persuasive story and offer a clearer value propositions if it's to reverse some of the worrying trends of the recent past.

**-14%**

decline in life insurance ownership  
in the US since 2011

Source: LIMRA

**52%**

US consumers citing uncertainty about how  
much or which type of insurance they need  
as reason for not buying life insurance

Source: LIMRA

**50%**

US consumers who don't know key  
products such as wealth accumulation  
and longevity protection

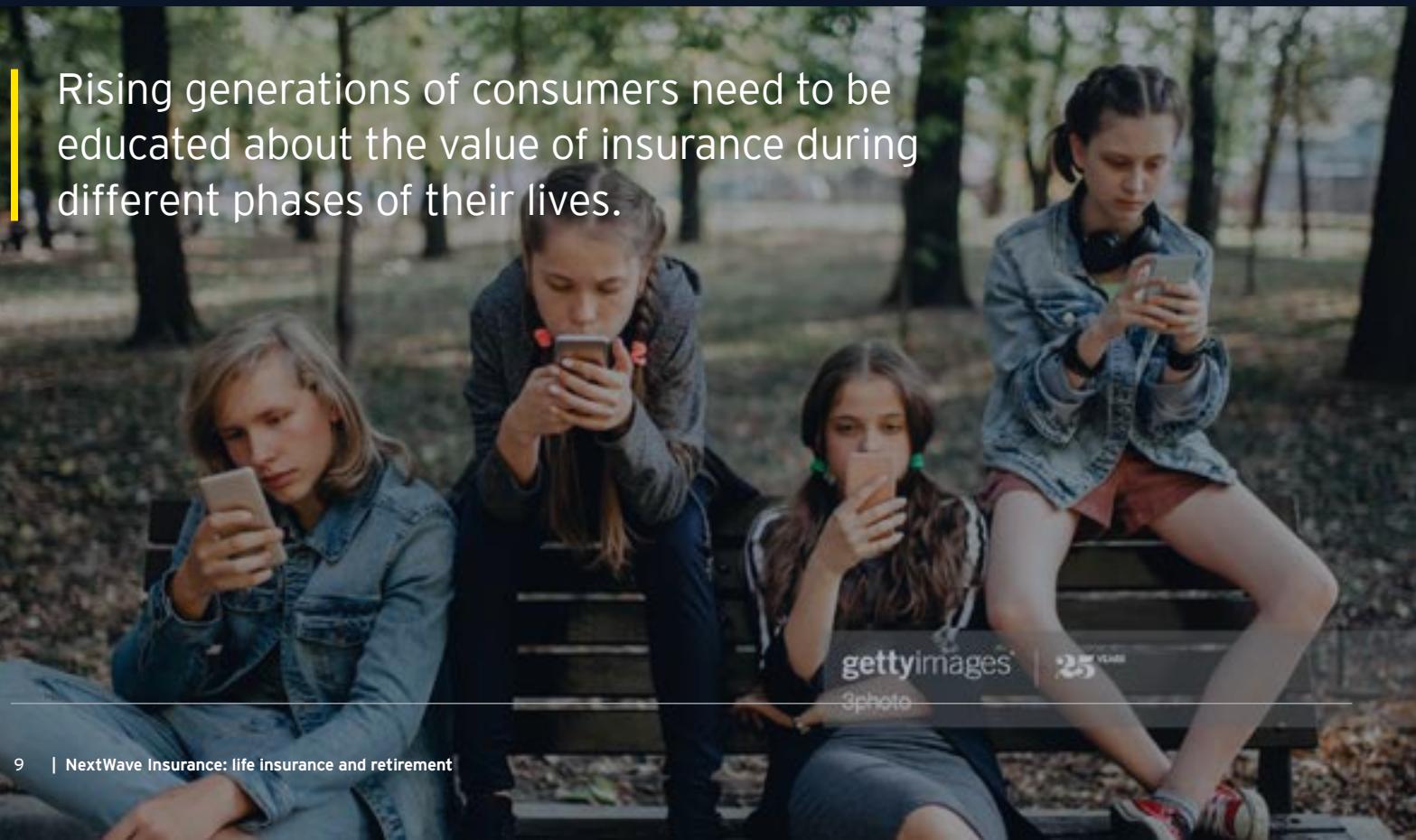
Source: Geneva Association

**3X**

perception of cost vs. actual cost of life  
insurance and retirement products among  
US consumers

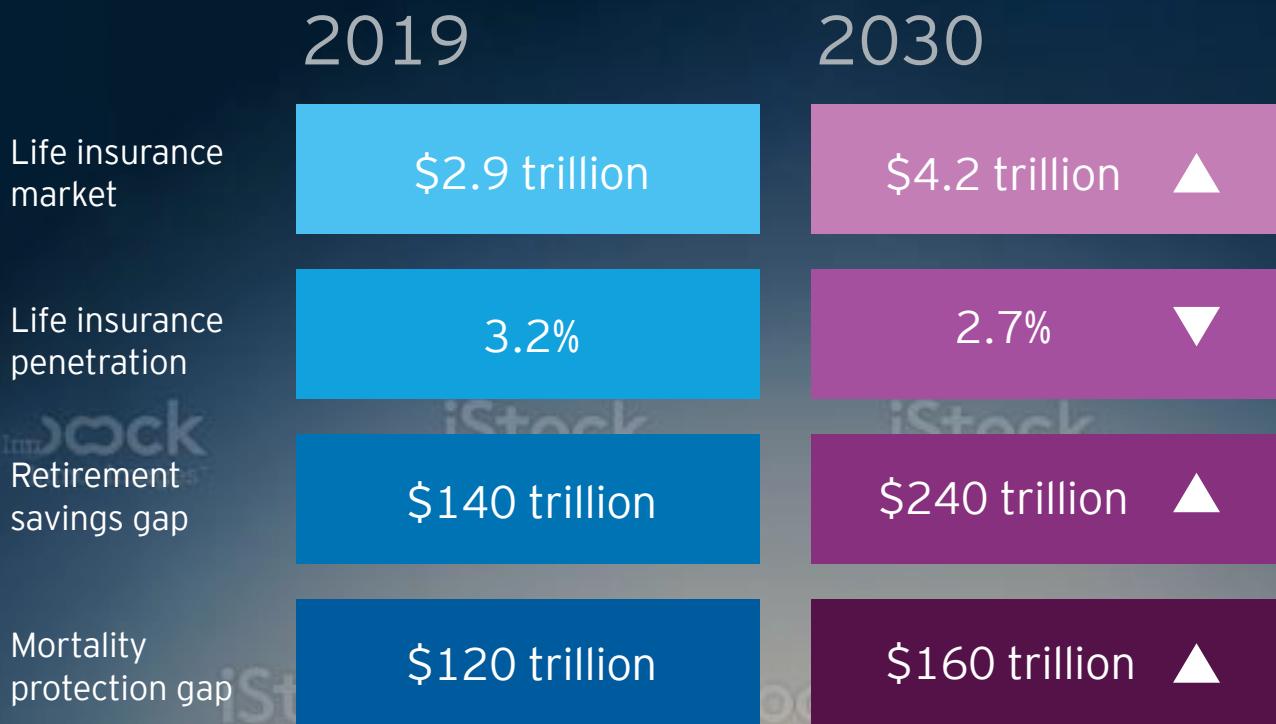
Source: LIMRA

Rising generations of consumers need to be  
educated about the value of insurance during  
different phases of their lives.



# Today's market and the outlook for 2030

EY projections highlight the industry's compelling growth opportunities. The keys will be to develop products that address societal needs, attract more types of consumers, and demonstrate the industry's purpose.



Source: Swiss Re, EY analysis, World Economic Forum

# 6 megatrends reshaping the market

The following megatrends will reshape the global life insurance and retirement market in the next decade. Underpinned by changing consumer needs and preferences and intensifying pressure on government pension schemes, they will lead to the most significant market scenarios (see page 20) and the development of new business models (see page 33), as well as induce cultural change and technology modernization.

## 1

### Financial health and wellness

Financial well-being – having the ability to control day-to-day finances, capacity to absorb a financial shock, and confidence to meet financial goals – has become more important to more consumers around the world. With government pension and retirement plans looking less viable, such security will be harder to achieve. For insurers and retirement planning companies, value propositions will highlight how they can help people live the lives they want, –with high degrees of financial security and physical and mental health. Offerings will be more flexible, forward-looking and “goals-based,” with an emphasis on proactive preparation over downside

protection. They will also reflect that more people work for themselves or participate in the gig economy.

However, they will be more transparent in defining and prompting necessary consumer behaviors to achieve those goals, rather than guaranteeing outcomes as in the past. Retirement savings products will be more holistic and offer more options as consumers' needs change. That's how they'll enable individuals to follow non-linear career paths and take non-traditional retirements, based on alternating phases of asset accumulation and decumulation.

# 40%

approximate proportion of millennials and Gen Z consumers who expect financial, health and wellness guidance from their insurer

Source: ReMark, SCOR

# 2

## Long-term value

Investors and analysts will expand their valuation approaches to include more holistic, long-term metrics, rather than only short-term financial measures. Intangible assets, such as intellectual property, talent, brand reputation, innovation and ESG impacts, now carry greater weight. This shift toward inclusive, or stakeholder, capitalism will help build trust with younger generations and spark broader public-private collaboration to address societal issues, including the cost of future environmental damage or social injustice. (See page 40)

# 98%

institutional investors that weigh a company's stance on global challenges in investment decisions

# 67%

CEOs who feel moderate to extreme stakeholder pressure to address global challenges

Source: EY 2019 CEO Imperative Study

Learn more about the EY-led Embankment Project for Inclusive Capitalism and read its [initial report >](#)

# 3

## Collaboration with governments and regulators

Difficult macroeconomic conditions, underfunded government retirement programs and intense regulatory scrutiny (especially around consumers' best interests and data privacy) will force insurers to collaborate with public authorities on multiple fronts. This is a good thing, as there is huge opportunity for the industry to help shift reliance away from the state. The priorities will be increasing financial education, facilitating product innovation, influencing public policies, including tax incentives and issuing long-term bonds. More robust consumer protections and data privacy standards, as well as financial reporting frameworks, will be designed to promote financial stability.

# 34%

increase in uptake of retirement policies in 2019 in Singapore following formal industry-government encouragement

Source: Life Insurance Association of Singapore

# 24

number of annuity, advisory and investment firms in US forming alliance for education on lifetime income

Source: Alliance for Lifetime Income

# 4

## Ecosystems and omnichannel engagement

Ecosystems will continue to grow and mature, becoming a primary method companies use to engage consumers across channels. Technology advances – particularly in the realm of application programming interfaces (APIs), microservices and data fabrics – hold the key by enabling rapid integration and smooth data sharing. Insurers will create their own networks of partners to offer complementary services. They will also engage in those orchestrated by others. Ecosystems will allow insurers to focus on their particular strengths (e.g., offering particular services to niche segments) or innovate more broadly (e.g., with subscription models). They also suit insurers to modernize their distribution and shift to hybrid advisory models that balance robo-advice with human interaction. Partnerships being formed today will set the stage for future ecosystem success.

# 94%

insurers that view platform-based business models and ecosystems as critical to success

Source: Swiss Re

# 67%

Asia-Pacific customers who consider end-to-end online policy processing when selecting an insurer, post-COVID

Source: Swiss Re

# 5

## Capital optimization and convergence

Beyond the near-existent threat of low interest rates, macroeconomic and competitive factors are driving the quest for higher levels of capital efficiency. Mergers and acquisitions (M&A) and reinsurance are key variables in the equation. With more capital available from a wider range of sources and increasing clarity about the need for well-being, the sector convergence will accelerate among life and health insurance, retirement planning and wealth and asset management. Capital efficiency will be a key design principle for future business models, largely because it will be necessary for survival.

# 9.4%

compound annual growth rate (CAGR) in the number of M&A transactions in the insurance industry, 2017-2020

Source: Clyde & Co

# 6

## Commoditization and customization

The long-term trend in customer preference toward greater simplicity, transparency and comparability has helped commoditize life insurance and retirement products. Increasingly, consumers perceive value through user experiences, ancillary services and trust-based relationships. That's why flexibility and customization are imperative. Delivering the right balance of simplicity and personalization requires stronger digital and analytics capabilities.

# \$3 trillion

amount of investable assets to which a US insurance and annuity leader gained access through a new digital engagement model and robo-guidance tool

Source: EY analysis

# A tale of multiple markets

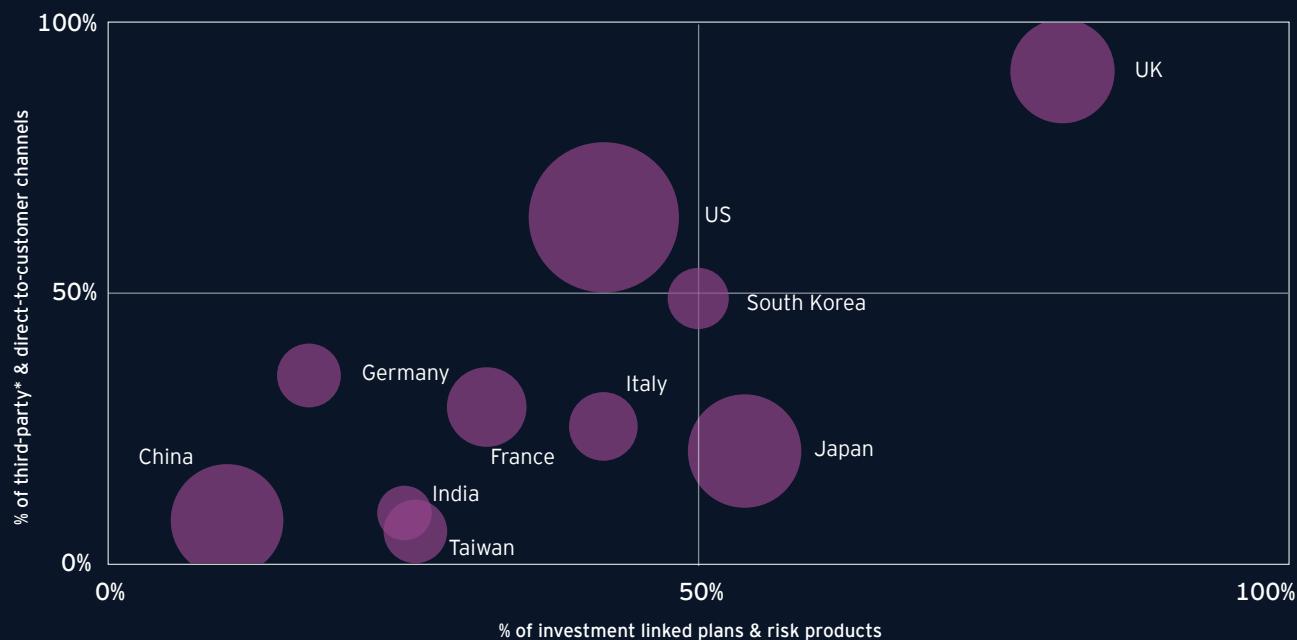
The outlook for the global life insurance and retirement industry is really a tale of multiple markets.

That's true in terms of widespread differences in products (e.g., risk protection policies vs. savings and income-oriented offerings), maturity levels, cultural norms, and the rate of technology adoption and transformational change. While there are similar themes across markets (e.g., savings and protection gaps, aging populations), each market will follow a unique evolutionary path.

In mature markets in Europe and the Middle East, as well as the more established markets in the Asia-Pacific region, sluggish growth and declining customer bases remain causes for concern. These pressures are leading to shifts in the product mix to address the needs of older buyers, who remain the dominant buyers.

At the same time, incumbents are seeking new ways to engage younger generations sooner with services that can sustain lifelong relationships. Younger consumers have limited savings, so insurers will need to demonstrate why protection matters to them and how it fits among other priorities (e.g., paying off student loans or saving for a mortgage). Profitably serving mass-market consumers will require further education about the value of life insurance and the advantages of long-term savings.

## Product and distribution mix: top 10 life insurance markets



\*The 10 markets in the graph above have been selected based on projected GWP in 2030. The channel data is estimated as of 2018, with third parties defined as brokers and independent financial advisors (IFAs). The size of the bubbles represent GWP in 2019.

Source: SwissRe, BMI Database, GlobalData, EY analysis

# Global markets at a glance

## US and Canada

**Life GWP**  
2019: \$667 billion  
2030: \* \$756 billion

**Life GWP, CAGR**  
2010-2019: 2%  
CAGR, 2019-2030: \* 1%

**Market penetration:**  
2019: 3%  
2030: \* 3.2%



## Other emerging markets

**Life GWP**  
2019: \$145 billion  
2030: \* \$210 billion

**Life GWP, CAGR**  
2010-2019: 2%  
2019-2030: \* 4%

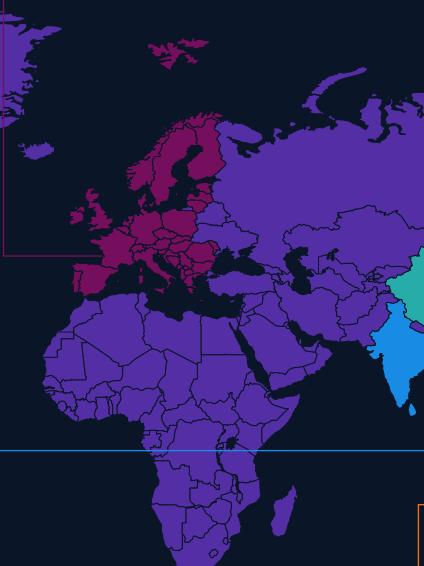
**Market penetration:**  
2019: 1.2%  
2030: \* 1.0 %

## Advanced EMEIA

**Life GWP**  
2019: \$957 billion  
2030: \* \$1.34 trillion

**Life GWP, CAGR**  
2010-2019: 0%  
2019-2030: \* 3%

**Market penetration:**  
2019: 4.7%  
2030: \* 4.1 %



## China

**Life GWP**  
2019: \$319 billion  
2030: \* \$882 billion

**Life GWP, CAGR**  
2010-2019: 10%  
2019-2030: \* 9%

**Market penetration:**  
2019: 2.2%  
2030: \* 2.5%



## Emerging Asia (excluding China)

**Life GWP**  
2019: \$145 billion  
2030: \* \$210 billion

**Life GWP, CAGR**  
2010-2019: 2%  
2019-2030: \* 4%

**Market penetration:**  
2019: 1.2%  
2030: \* 1.0 %

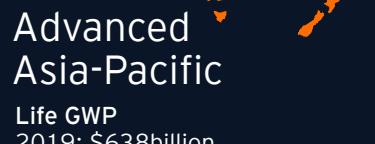


## Advanced Asia-Pacific

**Life GWP**  
2019: \$638 billion  
2030: \* \$798 billion

**Life GWP, CAGR**  
2010-2019: 0%  
2019-2030: \* 2%

**Market penetration:**  
2019: 6.8%  
2030: \* 6.9%



\*Projected

Source: Swiss Re, BMI Database, Oxford Economics Database, EY analysis

The growth outlook for China and other emerging markets remains strong. In fact, we estimate that the Asia-Pacific market will account for 50% of gross written premium by 2030. However, the structural advantages that enabled such rapid growth – a baseline of very low penetration and government promotion of private insurance – have begun to wane. The practices of Chinese insurers are being emulated in more mature markets, especially relative to digital distribution, platform development and customer engagement.

The rise of ecosystems in response to industry convergence is of particular interest; there's little doubt that such models, already common in China, will gain traction in all global markets in the near future. Similarly, Western firms are working to embed more digital thinking and tech talent in the workforce, as insurers in emerging markets have done to a large extent.

## Retirement savings gap: top 10 life insurance markets

Markets around the world are also in different positions and taking different approaches to addressing the retirement savings gap. In most markets, there are fewer younger workers than there are older retirees who need support from government-backed programs. More developed markets are constrained in making public pension reforms due to significant government budget deficits. In the US, recent regulatory changes have sparked renewed interest in annuities, especially among wealth managers, as a source for lifetime income.

Other than Japan, most Asian markets have more financial leeway as budget deficits, public expenditure on old age benefits and old age dependency ratios are all relatively lower compared to other more mature markets. However, this is expected to change at a much faster pace for China and other advanced Asia-Pacific countries (e.g., South Korea and Taiwan) during the next decade. There are clear needs and opportunities for public-private collaboration to promote long-term well-being across all markets.



\*The 10 markets in the graph above have been selected based on projected GWP in 2030. The OADR (2019) is the number of people aged 65 and older per hundred persons aged 20-64. Public expenditure percentages are based on 2018 data. The size of the bubbles represent the retirements savings gap in 2019.

Source: World Economic Forum, Allianz, United Nations, EY analysis

# Four generations of customers: the people life insurers will serve in 2030

By 2030, the top-performing life insurers and retirement companies will be those that can most effectively engage the following four generations of customers.

New engagement models and offerings are necessary, as these groups will be looking for flexible products that offer clear value and are aligned directly to their goals, lifestyles and circumstances. Increasing share of mind with younger consumers will lead to increased share of wallet as those consumers grow older and expand their asset base. Building sustainable relationships earlier in people's lives will pave the way to long-term profitability.

Generation Z



Millennials



Generation X



Baby Boomers and  
the silent generation





## Generation Z

frugal and focused on financial stability

Born: 1995-2014

Age in 2030: 16-35



of population  
in 2030

Source: BMI database

Empowered and ready to do things themselves, these future-focused realists are comfortable doing their own research. Having seen the financial difficulties of their parents and millennials, they are well aware of the risks of potential unemployment, the high cost of elder care and all types of debt. However, being young, they have few assets and need education as to financial products.

- ▶ **Practical and frugal:** Saves more to meet goals - paying off student loans, buying homes - and achieving financial stability sooner.
- ▶ **Real and authentic:** Values authentic and transparent in relationships; champions brands that share their values.
- ▶ **Purposeful and entrepreneurial:** Strives to make an impact, Self-educated and unafraid of hard work; eager

- ▶ **Private, but willing to share:** Expects data privacy, but will share data for clear benefits.

### Focus for insurers

- ▶ Starting relationships with bite-sized products (term, accident, critical illness and flexible savings)
- ▶ Developing goals-based solutions for long-term well-being
- ▶ Articulating purpose to boost brand awareness and provide a "reason to believe"
- ▶ Offering balance of robo-advice and human interaction

## Millennials

a different approach to life and retirement

Born: 1980-1994

Age in 2030: 36-50



of population  
in 2030

Source: BMI database

Informed, independent and demanding, this generation has set its own course. Having delayed traditional milestones (e.g., marriage), eschewed conventional career paths and prioritized personal goals (e.g., child-rearing, travel), they may retire for short periods of times several times in their lives. Of course, some may not be able to retire, due to the financial consequences of their choices.

- ▶ **High expectations for service:** Desires ease, speed and convenience from established companies.
- ▶ **Recession-scarred:** Seeks to "live in the moment," having lived through the global financial crisis and COVID-19.
- ▶ **Low-obligation lifestyles:** Prefers renting over buying; supports a life with fewer obligations and restrictions.

- ▶ **Multi-generational care:** May need to provide elder care for parents, meaning they'll face the retirement savings gap twice.
- ▶ **Non-traditional retirements:** May retire sooner, later or never.

### Focus for insurers

- ▶ Increasing engagement through digital channels and evolving ecosystems
- ▶ Developing solutions for both protection and income for alternating phases of asset accumulation and use
- ▶ Developing solutions for dependents (especially elderly parents)



## Generation X

hardworking, but caught between kids and parents

Born: 1965-1979

Age in 2030: 51-65



of population  
in 2030

Source: BMI database

Digitally savvy but appreciative of face-to-face interactions, Gen X is a critical market segment thanks to its assets, interest in more solutions and brand loyalty.

- ▶ **Customized solutions:** Prioritizes long-term care and flexible savings and income solutions on its financial services shopping list
- ▶ **Human touch:** Values trusted relationships including with brands; believes financial services - especially planning - are best handled in person
- ▶ **Second careers and extended work lives:** Works longer to support both their children and parents

## Baby Boomers and the silent generation

family-focused and product-oriented

Born: 1925-1964

Age in 2030: 66-105



of population  
in 2030

Source: BMI database



The last to have a traditional retirement, this family-focused generation owns more than 50% of the assets in most countries. It is more socially connected and less brand loyal than commonly believed. Dependent on its advisors and children, boomers want to live independently as long as possible.

- ▶ **Social and digital:** Consumes traditional media but stays active on social media to stay in touch with family and friends.
- ▶ **Product savvy:** Prioritizes easy-to-use and efficient products, rather than brands.
- ▶ **In-person transactions:** Prefers face-to-face interactions despite placing a lower priority on customer service than other generations.
- ▶ **Reliance on family:** Worries about savings and long-term care needs; seeks support from their children, but fear being a burden.

## Focus for insurers

- ▶ Promoting hybrid channels for advice, when necessary
- ▶ Developing inter-generational well-being solutions (e.g., securing retirement income, preparing for elderly care and considering annuities for multiple family members as part of inheritance strategies)

# Scenarios: six stories of market leadership in the next decade

The following six scenarios reflect our thinking about developments in the next five to ten years. Many of the issues are already influencing C-suite and board-level decisions. Soon they will become operational realities, the next normal, across the industry.



**Life and wellness concierge emerges as a winning formula:**  
Powered by advanced analytics and AI, leading insurers build trust-based relationships and increase customer retention by 30%.



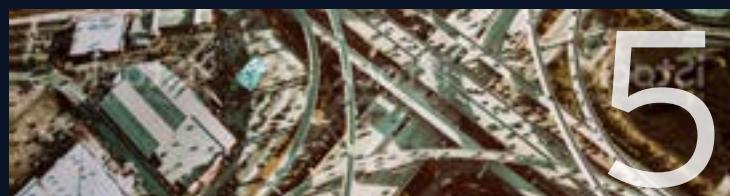
**Subscription models gain critical mass:**  
Comprehensive subscription offerings attract nearly 50% of Gen Z population in selected markets.



**Retirement 2.0 becomes reality:**  
Designed to bridge the \$240 trillion retirement savings gap, flexible lifetime income solutions empower new lifestyles and career paths.



**The workforce shrinks dramatically and shifts strategically:**  
Digitization replaces 30% of insurance workers and 100% of manual processes, even as data science, tech and customer wellness jobs increase.



**Consolidation significantly reduces the number of market players:**  
M&A eliminates 20% of insurers as weaker players struggle post-COVID and dynamic firms gain market share through innovation.



**Open finance creates unprecedented access to customers:**  
A large insurer participates in the financial lives of 100 million customers via a platform supported by a leading tech player.

# 1



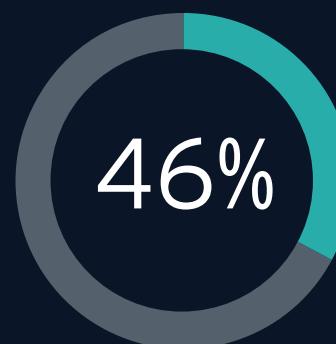
## Life and wellness concierge emerges as a winning formula.

Powered by advanced data analytics and AI, leading insurers become trusted “life and wellness concierges,” increasing customer retention by 30%.

Facing declining market share, intense competition and decreased relevance to customer needs, leading life insurers reimagine their value propositions and redesign their offerings. With more consumers willing to share sensitive data, thanks to gains in personalized medicine, carriers use their trusted brands as the foundation for growth.

Top performers invest heavily in advanced analytics and AI, more than tripling their overall tech spend, but deriving much greater value from data assets. That commitment is necessary to launch new lifestyle-oriented products that go beyond traditional protections.

Consumers are convinced to share personal data in return for clear benefits. With permission from customers, the company makes proactive offerings and tailored recommendations for next-best actions, based on the insights it generates. An AI-powered digital avatar caters to individual goals and preferences, with prompts to exercise, for example, or to save a little extra money to meet a long-term financial objective. The avatar tracks behavioral patterns and adjusts messaging as customer needs change.



consumers willing to share wearable data in exchange for discounted premiums.

*Source: ReMark, SCOR*

## 77-80%

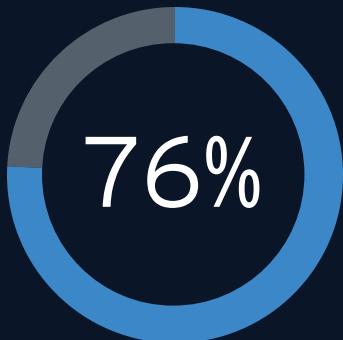
consumers comfortable sharing genetic test results for disease management support or discounted premiums

*Source: ReMark, SCOR*

Watch our video for a glimpse into the financial well-being customer of the future >

Similarly, the insurer offers a range of solutions aligned to life events (e.g., a home purchase or retirement), as well as accelerated benefit riders and broader policies for health and long-term care. Flexible lifetime savings and income benefits come via annuities and innovative new products. Human guidance is available, too, under certain circumstances. Employers love the concierge model, because it reduces employee stress, leading to higher productivity and lower turnover.

It's a classic win-win. Through better financial and health outcomes and reduced premium payments, customers see more and clearer value from their insurers. Stronger customer engagement and increased retention result, benefitting the life insurer's bottom line and completing its transition from mostly paying death claims to promoting happier and healthier lives.



outperforming insurers  
that leverage advanced  
analytics solutions

Source: IBM

Through better financial and health outcomes and reduced premium payments, customers see more and clearer value from their insurers.



## Questions for the C-suite

- ▶ How much personal data are customers willing to share? How tailored will customer value propositions and solutions become? How to customize cost-effectively?
- ▶ With more granular data available for risk selection, how to work with regulators to ensure all customers remain insurable and to manage adverse-selection risk?
- ▶ How to keep highest levels of customer data privacy and security?
- ▶ Which systems, technologies and processes need investment or refinement to enable benefits from big data, AI and ecosystems?
- ▶ How to promote alignment and collaboration across internal barriers (e.g., product lines, functional teams)?

# 2



## Subscription models gain critical mass.

Comprehensive subscription offerings attract nearly 50% of Gen Z population in selected markets.

Even as the middle-class protection gap widens and distribution costs rise, insurers get creative in reaching out to the middle-market and Gen Z segments. Governments and regulators encourage them to do so, recognizing that traditional social security systems may be insufficient to meet future retirement income and healthcare needs.

Subscription models become the dominant means for profitably engaging and serving middle-class consumers around the world. Holistic subscriptions delivered via ecosystems offer access to a range of products and services – from life and health insurance to savings, to investment and income products. While many of these are commoditized on their own, especially in developed markets, the convenience of bundling and potential to customize are broadly appealing.

Subscriptions are designed to create continuous engagement with proactive offerings keyed to major life events (e.g., marriage, child birth, property purchase). The most successful function as personal financial operating systems. Dynamic experiences are embedded in consumers' daily lives with relevant content and regular interaction. Given the commoditization of products, such engagement is essential to sustaining customer relationships. The competitive landscape also shifts as insurers do more than simply carry risk.

Leading insurers use the COVID-19 crisis as a launching pad for subscriptions and ecosystems. They enhance digital channels and make the overall experience more intuitive and integrated across channels. They become much more sophisticated in using API interfaces to connect and share data with partners, which streamlines the development and ongoing management of subscriptions. Products are simplified and made modular, making it easier for consumers to research, buy and add features.

Middle class population<sup>1</sup>

**3.7 billion 2019**

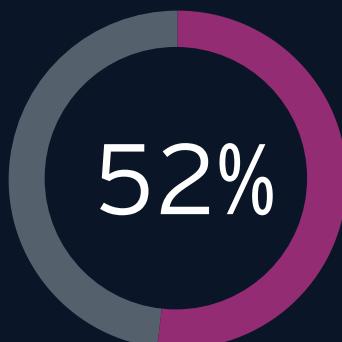
**4.3 billion 2030**

(Source: Swiss Re, EY Insights)

<sup>1</sup>Note: We follow the definition of The World Data Lab, which defines middle-class citizens as those earning between \$11 and \$110 per day, based on a 2011 purchasing power parity basis, a benchmark used by many organizations and governments.

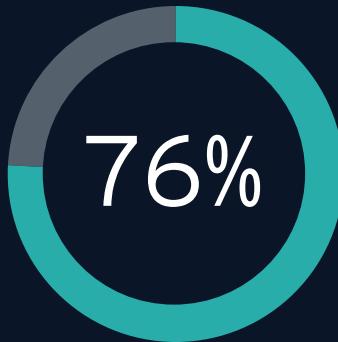
Subscriptions prove especially attractive to younger generations who want “bite-sized” products that are both targeted to their specific needs (e.g., working in the gig economy) and flexible enough to turn on and off as necessary. Subscriptions suit Gen Z as it sets its own pace in reaching life milestones (e.g., marriage, home ownership). Over time, they supplement their basic protections with lifetime savings and income solutions.

The entire mass market ultimately follows the lead of younger generations. Government support (e.g., tax incentives) further boosts consumer uptake. Subscriptions blur the lines between traditional financial services segments. Firms must collaborate to compete, as non-traditional competitors (banks, asset managers, tech firms, healthcare firms) continue to expand their offerings to provide a level of protection services.



US customers, age 25-34,  
interested in financial  
subscription models

Source: Swiss Re



insurers that believe  
competitive advantage  
will be determined by the  
strength of partners and  
ecosystems they choose

Source: Swiss Re



## Questions for the C-suite

- ▶ What should a subscription platform model look like? What role can insurers play?
- ▶ How to convince consumers to engage on the platform and share more data? What is the best way to secure that data?
- ▶ How well do we understand customers? Where are the gaps in our knowledge?
- ▶ What operational, talent and technology changes are necessary to create and manage subscriptions?

Leading insurers use the COVID-19 crisis as a launching pad for subscriptions and ecosystems.



3

## Retirement 2.0 becomes reality.

Designed to bridge the \$240 trillion retirement savings gap, flexible lifetime income solutions empower new lifestyles and career paths.

The confluence of several megatrends leads to a major update to the social contract. Neither government-sponsored programs nor individually driven plans are able to reduce the massive retirement savings gap. As the situation worsens, public and private stakeholders engage to shape sustainable solutions. The stakes – both for society as a whole and for individuals and families – are simply too high not to act.

Working with regulators, life insurers take the lead in creating more flexible and portable solutions, even as they pitch consumers with value propositions keyed to broader notions of well-being. The plan is to communicate to consumers how to retire comfortably and empower them to do so with simpler products and smarter experiences that reflect the need for timely advice and even emotional support.

The initial focus is on younger generations (especially millennials), with offerings designed to build sustainable and profitable relationships over time. Ultimately, the innovations prove helpful across age groups and wealth tiers. The first step is developing lifetime savings and income solutions that are at once affordable and profitable. The next is educating customers on the advantages of saving sooner and more consistently (based on the compounding effect) and inspiring them to act in line with their goals.

The new solutions differ dramatically from traditional retirement plans in that they can flex for various stages of life, accounting for alternating phases of asset accumulation and decumulation. The notion of fixed retirement ages gives way to the concept of financial security as a lifelong process. Thus, Retirement 2.0 is born.

To make it an operational reality, insurers invest in technology infrastructure, underwriting and product development. Tax incentives and subsidies, long-term bonds and increased financial education are all areas of effective public-private collaboration. Critical policy changes enable the portability of employee benefits, a huge benefit for gig workers. Other regulations (e.g., 2019 SECURE Act in the US) encourage the inclusion of lifetime income options in institutional retirement plans.

25

years by which life expectancy increased globally from 1950 to 2020

*Source: UN*

18

number of nursing homes in China being built by insurers

*Source: InsuranceAsia*

Beyond raising awareness, education and marketing programs build confidence that financial security is within reach and clarify its importance to a happy and healthy life. This approach helps overcome lingering economic anxiety from COVID-19, while techniques (e.g., gamification) first developed by InsurTechs help younger consumers to define, execute and stick to their financial plans.

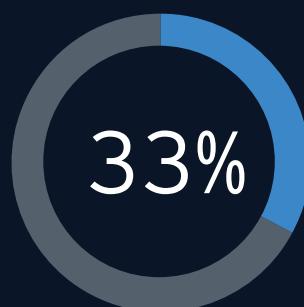
Multi-generational advisory and savings products also contribute to growth by helping Gen X and millennial consumers navigate the challenges of elder care. Innovative insurers develop holistic offerings for end-of-life planning and care, while others invest billions in ancillary businesses, such as the development of nursing homes.

The progress benefits insurers on several fronts. They shift their business models by launching compelling new products and services, gaining the freedom to exit less profitable lines. That reignites growth even as insurers fulfill their critical social purpose. In other words, insurers do well by doing good.



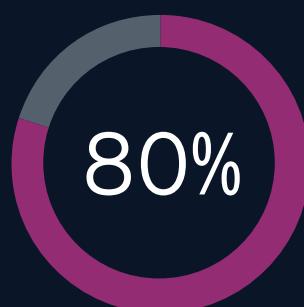
expected growth in global population above age 65 by 2030

*Source: Oxford Economics Database, European Union*



older Americans confident they have sufficient retirement income, 2020

*Source: Alliance for Lifetime Income*



Singaporeans inclined to keep working after their primary career

*Source: Manulife*



## Questions for the C-suite

- ▶ How to influence policy relative to retirement, including the portability of employee benefits and pensions?
- ▶ How to promote financial literacy, more informed decision making and more active individual ownership of retirement planning?
- ▶ How to broaden customer mindsets to include both accumulation strategies and decumulation plans (e.g. from annuities)?
- ▶ What role will technology and data play in developing affordable new solutions for (financial) well-being?

Multi-generational advisory and savings products also contribute to growth by helping Gen X and millennial consumers navigate the challenges of elder care.

# 4



## The workforce shrinks dramatically and shifts strategically.

Digitization replaces 30% of insurance workers and 100% of manual processes, even as data science, tech and customer wellness jobs expand.

Challenging macroeconomics, sluggish growth and stubbornly high cost ratios force insurers and retirement companies to become leaner and more cost efficient. Many back-office processes are automated, leading insurers to cut many administrative positions. At the same time, they expand their ranks of data scientists and technologists. More specialists in customer insight and experience come on board, as do actuaries adept at harnessing the power of analytics, AI and machine learning. Ultimately, these roles account for two-thirds of the workforce.

Leading insurers cultivate a more flexible cost base by adopting software-as-a-service (SaaS), platform-as-a-service (PaaS) and other cloud-based computing models. Outsourcing proves a viable option for non-core activities. Collectively, these moves boost productivity, enhance operational agility and reduce technology debt and maintenance costs. In light of lingering concerns about data sharing, security and operational resilience, insurers sustain the investments they made to harden their systems after COVID.

The digitization drive starts with underwriting and claims, with increased investment in these areas initially sparked by COVID-19. The huge number of modernization programs for policy administration systems accelerate. The sales force shrinks as hybrid advisory models, involving both human interaction and digital channels, gain traction. Natural attrition smooths the transition. Agents and intermediaries learn to embrace digital selling. They adopt lead management tools and connect effectively with customers via chats and video calls. The net effects are increased customer engagement and lower distribution costs.

---

**20-50%**

estimated proportion of insurance jobs that can be automated

*Source: Insurance Governance Leadership Forum*

Transforming the workforce is both extremely difficult and a competitive necessity. To attract the most in-demand talent, insurers go after workers everywhere, since COVID-19 removed geographical barriers to recruitment. They offer compelling compensation, flexible working arrangements, an engaging employee experience, clear development paths and a defined sense of social purpose (having learned to articulate it more persuasively to engage younger workers).

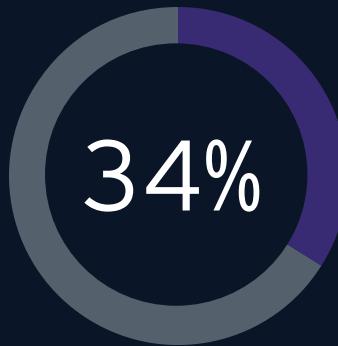
Insurers engage government authorities proactively, both to influence pension reforms and soften the blow on job cuts. In certain markets, they work with labor unions and work councils on extensive retraining programs, as well as tech education programs to build up a stronger pipeline of future workers.

Paradoxically, automation unleashes the full power of human talent in the industry. By using technology and data in more sophisticated ways, life insurers offer more rewarding work and connect with their customers in more personal ways.



CAGR in global sales from digital channels, 2010-2018

*Source: GlobalData*



technology-related positions as a percentage of all jobs at large Chinese insurer

*Source: Ping An*



## Questions for the C-suite

- ▶ How to retain a strong transformative culture in highly automated environments with extensive remote working?
- ▶ What are the optimal sourcing strategies for the future?
- ▶ What role will automation and technology play in workforce transformation?
- ▶ How can simplified products increase automation?
- ▶ Which key attributes of insurance careers appeal to top talent?

To attract the most in-demand talent, insurers go after workers everywhere, since COVID-19 removed geographical barriers to recruitment.



## Consolidation significantly reduces the number of market players.

M&A eliminates 20% of insurers as weaker players struggle post-COVID and dynamic firms gain market share through innovation.

The margin pressures from increasing product commoditization and low interest rates are relentless for all carriers, but the economic disruption from COVID-19 pushes weaker players out of the market entirely. It also fuels an intense round of consolidation, accelerating the steady increase in M&A deals since 2015. In anticipation of revenue gains and cost synergies, the firms with the best balance sheets and leanest operations go on an acquisition spree, substantially reducing the number of global market players.

Fundamentally, insurers pursue M&A as a means to deliver more value - to both customers and shareholders. But deals take different shapes. In some cases, carriers are buying market share, cash flow, or access to new customer segments. Other deals are designed to transform core operations, acquire new capabilities (especially relative to digital), secure access to specific technology, or expand product and service portfolios.

Divestiture also plays a role in reshaping the market, as companies look to shed non-core and underperforming businesses to better focus where they have scale and competitive advantage. The economic uncertainty after the pandemic makes it more difficult to value deals. But it also motivates sellers, increasing the likelihood of bargains.

---

419

insurance M&A deals in 2019, the most since 2015  
(compared with numbers on the next page)

*Source: Clyde & Co*

Large insurers continue to invest in the most promising InsurTechs, even acquiring a few outright to add new capabilities. Beyond adding capabilities, these moves help large firms press their brand advantages and protect themselves against disruptors. Insurance start-ups continue to proliferate, however, serving as incubators of innovation.

The case for consolidation remains strong, despite the risk of regulatory intervention and lingering geopolitical and macroeconomic uncertainty post-COVID. History shows that buying during a crisis pays off. In the three-year period around the global financial crisis, active acquirers produced shareholder value that was 7.2% stronger compared to their more passive counterparts, according to EY research. The top performers of 2030 demonstrate why it was good to be a buyer in 2020. That's especially true for mutual insurers with longer investment horizons.



global executives who would choose to transform through transactions in the 12 months after COVID

Source: EY

2015

**65 deals** worth  
\$1.3 billion

Source: EY



## Questions for the C-suite

- ▶ How to sharpen assessments of M&A opportunities to drive growth?
- ▶ How to accelerate the integration of acquired entities to realize the benefits sooner?
- ▶ What is the optimal capital allocation strategy for organic and inorganic growth opportunities?
- ▶ Which tech-related needs (e.g., digital distribution, customer engagement) are most effectively met via acquisitions?

2019

**115 deals** worth  
\$2.8 billion



## Open finance creates unprecedented access to customers.

A large insurer participates in the financial lives of 100 million customers via a platform supported by a leading tech player.

Consumers come to love what open finance provides them - the ability to see and transact with all of their financial products in a single place, regardless of provider relationships. With full control of their financial data, they can share it with whom they like and move it around as they see fit.

The impacts for incumbents are profound and far-reaching, fundamentally changing relationships across financial services. Banks, insurers, wealth and asset managers and their advisors, partners and regulators all feel the effects. The entire basis of industry competition is upended and the doors are opened to non-traditional players, even as barriers to collaboration fall. Trust will become the critical differentiator for companies offering longer-term investment, retirement and pension products.

Open finance triggers the long-anticipated entry of tech giants into financial services, especially in the largest markets. One of the world's biggest and most successful companies builds a huge platform - an online financial services superstore - and immediately attracts a large part of its massive global customer base.

The initial focus is likely to be on payments, accounts and general insurance. However, the capital-intensive and highly regulated nature of insurance prompts the tech giant to seek partners for specific product classes. Preferred partners gain unprecedented access to a huge number of buyers. Of course, they must have trusted brands, strong digital capabilities (including with APIs), innovative offerings and customer experience know-how to be selected for the platform.

---

200

number of regulated open banking providers in the UK, January 2020, a 2x increase since December 2018

*Source: Global Government Forum*

Many parts of the life insurance business are affected, from strategic initiatives to back-office operations. Forward-looking insurers see – and seize – the opportunities to lower acquisition costs and optimize resource allocation. The increased transparency forces them to more clearly demonstrate their value to customers, which is how they can focus on collaborative opportunities over competitive threats.

In their ongoing embrace of open finance, regulators effectively invite more types of companies to offer insurance, retirement savings products and the like. That means competition from more sources (e.g., from tech giants and nimble start-ups and from both inside and outside the industry). Leading insurers also work with regulators to make suitable protection and savings products more accessible for more people. Indeed, regulators build the necessary framework around open finance, clarifying the tax implications and establishing strong guardrails for fraud prevention. Some customer education will also be required, especially relative to standard features requirements, to ensure all customers know what they are buying via platforms.

Insurers engage InsurTechs more frequently and for specific needs, such as enhancing their customer experience capabilities and expanding the range of offerings available through insurers' own ecosystems. Indeed, the open finance revolution does much to advance the evolution of ecosystems in financial services.



global banks using APIs to enable open banking in the next 12 months

Source: Finastra

# 40 million

projected number of open banking users, globally, in 2021, a 2x increase since 2019

Source: Which-50



## Questions for the C-suite

- ▶ How to convert the competitive threats from tech giants into opportunities?
- ▶ How does open banking shift distribution strategies and tactics?
- ▶ How to actively participate in the development of open finance rules?
- ▶ How to ensure data privacy to gain consumer trust across open platforms?
- ▶ How to enhance consumer value propositions and enable digital capabilities to position as the partner of choice?

Forward-looking insurers see – and seize – the opportunities to lower acquisition costs and optimize resource allocation.

# Prevalent business models, circa 2030: how tomorrow's top performers will go to market and operate

The forces shaping the life insurance and retirement industry today will be manifested tomorrow through significant changes in the industry's primary business models.

Nearly everything about the business – the products and services on offer, customer engagement strategies, operational footprints, partnerships and sourcing strategies, workforce and culture, financial and performance metrics – will change. In some cases, the change will be evolutionary. In others, complete reinvention will come through the creation of entirely new business models. Whatever the scope and pace of change, it will occur both within individual product segments and across the entire portfolio.

The following six business models reflect that there will be more specialization, increased focus on core competencies and more distinct value propositions. Few, if any, insurers will try to serve every customer segment or own the entire value chain. They will have to make hard choices in allocating resources.

The most prevalent business models of the next decade will not necessarily be mutually exclusive or one-size-fits-all. Individual companies may adopt several of them or combine features into one-of-a-kind operations uniquely suited to their distinct market opportunities, strategic objectives, geographical footprints, available capital and customer targets.

Some firms will give up direct customer relationships to focus on product manufacturing. Others will seek to win through superior functional capabilities (e.g., underwriting, distribution) or within narrowly defined market niches.

While every firm will take its own unique path, market leaders will share a few common characteristics, starting with the ability to clearly communicate and deliver on purpose-driven value propositions to their customers. Additionally, they will:

- ▶ Possess the ability to generate meaningful and actionable customer insights
- ▶ Use creative sourcing strategies to provision services where they don't excel
- ▶ Automate most back-office processes and all administrative activities
- ▶ Fully modernize core systems and adopt many enabling technologies
- ▶ Build digital-savvy, data-driven workforces
- ▶ Sustain cultures notable for their agility, dynamism and appetite for change

**1** **Global/regional giants:** market leaders betting big on innovation, tech and ecosystems

**2** **Market extenders:** established industry players branching out in new sectors

**3** **Segment specialists:** notable carriers aligning to target segments

**4** **Solution specialists:** nimble firms innovating with advanced analytics and underwriting

**5** **Digital challengers:** standalone, greenfield platforms seeking new segments

**6** **Back-book aggregators:** custodians winning with lean operations and sophisticated risk management

## 1 Global/regional giants:

market leaders betting big on innovation, tech and ecosystems

These market leaders will direct their considerable resources toward more innovation, scalable technology and new ecosystems. Spinoff brands and businesses will seek new revenue in market niches. Geographical expansion and ecosystem development are additional paths to growth.

Big bets on innovation make cost management an imperative; the giants will automate the middle and back offices and turn to partnerships for services where necessary investments are prohibitive or others can provide more value. M&A is another option for finding new capabilities.

### Ecosystem orchestrator:

The best-known brands with the strongest balance sheets are best positioned to provide holistic well-being solutions to the most people - and they recognize ecosystems as the most effective way to deliver them at scale. Insights from customer data identify under-served segments and open up cross-selling opportunities. Much lower customer acquisition costs provide the payoff. Beyond comprehensive offerings and nimble product development, ecosystem operators must attract the right mix of partners - from banks, wealth and asset managers, to health insurers, to retirement homes and travel agencies. Data security is also essential.

### Regional diversifier:

Only by focusing on the most profitable segments does geographical expansion make sense. Success starts with aligning capital to growth opportunities. Spinoffs may suit specific markets, especially those with relatively low barriers to entry. Product portfolios must be designed for efficient selling through digital channels and via partnerships, including with InsurTechs.

## 2 Market extenders:

established industry players branching out in new sectors

Market extender leverage ecosystems, strong distribution and new partnerships to find growth. For outward extender, the goal is to generate new revenue in adjacent sectors (e.g., wealth and asset management or health insurance). Shape-shifters will re-orient entirely. The key strategic decisions involve selecting partners with complementary capabilities and which links of the value chain to own. The quality of service and advice to customers will be a determining factor.

Insurers may choose to enter less capital-intensive sectors, enabling them to fund their own expansion. External capital may be advantageous for more ambitious long-term plays. Acquisition can ease entry into new sectors; buyers will seek firms with strong offerings for financial well-being and advanced technology capabilities.

### Outward extender:

These firms can still reach many of their existing customers when they extend into new sectors and have a head start in cross-selling, thanks to their extensive customer data. By identifying under-served niches and expanding their offerings, extender can increase their share of wallet via established distribution networks.

### Shape-shifters:

Seeking better returns on capital and leveraging their strengths in asset management and distribution, shape-shifters may also bring their existing relationships with them into new sectors. They manufacture their own asset management products, for instance, as well as additional savings and guarantee offerings, in pursuit of diversification.

Big bets on innovation make cost management an imperative.

## 3 Segment specialists: notable carriers aligning to target segments

These carriers specialize with success. "B2C" specialists focus on consumers in narrow income or age tiers. "B2G" specialists will collaborate with governments to design products for underserved segments and to shrink the protection and retirement savings gaps.

Strong distribution is the core capability for segment specialists. Whether funded by mid-sized players or via global giants spinning off niche brands, these firms will win by optimizing capital, achieving scale and operating lean. High degrees of automation and cloud adoption are essential. Partnerships open up growth opportunities, either through geographical expansion or via ecosystem participation.

### B2C specialists:

The mission is to develop a few compelling products for segments with sufficient volume and spending power (e.g., universal life or investment-linked products for high-net-worth clients). Tailored solutions and flexible distribution help build loyalty.

### B2G specialists:

These players home in on more effective protection and savings solutions for the mass market. Offered both as standalone products and as enhancements to basic benefits in government schemes, the solutions span health, long-term care and retirement planning needs. Government incentives and subsidies help insurers meet profitability thresholds.

## 4 Solution specialists: nimble firms innovating with advanced analytics and underwriting

Whether focused on products or platforms, these specialists don't seek to manage the entire value chain. Instead, they emphasize their strength to build solutions in specific areas, such as service development.

Capital comes from mid-sized private equity (PE) firms or giant carriers seeking a strategic shift toward manufacturing. Many back-end operations will be outsourced, but those retained in-house will require modernized core systems and increased use of enabling technologies. They go to market via ecosystems and non-traditional partnerships, while also providing their platform as a service to other market players.

### Product specialists:

It's all about innovation for product specialists, who win by launching tailored products for unmet market needs (e.g., multi-generational annuities) through advanced data analytics, predictive underwriting and real-time information. They have diverse partnerships (e.g., with aggregators and InsurTechs) and engage external firms to gather data for maximum customer insight. They also provide customized solutions to other market players (e.g., segment specialists).

### Platform specialists:

Platform specialists succeed by offering services (e.g., data analytics) that help other companies execute their strategies (e.g., develop ecosystems). Analytics-focused specialists must innovate continuously to optimize risk profiling. Others, like insurance aggregators or those offering price and product comparison, have direct access to customers and could offer a separate sales channel for insurers, as well as support in managing the overall customer experience.



## 5 Digital challengers: standalone, greenfield platforms seeking new segments

Whether an offshoot of an incumbent, an entrant from a different sector, or a digital-native start-up, these challengers are all about delivering superior experiences. They automate key components of the value chain and own only a few links, thanks to both traditional and unconventional partnerships.

Private equity will provide the capital for new players, while others will be funded by global giants or by partnerships with tech giants with a focus on the largest markets (e.g., US and China). With modern system architectures, these nimble operators have highly digitized back-office functions from day one. They aggressively deploy the latest enabling and disruptive technologies across the business.

### Incumbent offshoots:

Offshoots enable established players to target newer customer segments, overcome legacy systems and navigate channel conflicts. They engage customers primarily through digital channels, but offer face-to-face support for some segments and scenarios.

### New entrants:

Building trust and a unique identity are critical for success, as are differentiated solutions for distinct customer segments. They lean on direct channels, but may offer third-party distribution for complex products or high-income segments. Effective marketing allows them to build brand recognition and generate leads, though budgets require careful management.

Enabling technology  
is key to superior  
customer experiences.

## 6 Back-book aggregator: custodians winning with lean operations and sophisticated risk management

Back-book aggregators leverage their capital and expertise in acquiring business that other carriers can't manage profitably. While such aggregation is not a new trend, it's gaining force as private equity and other capital sources seek assets. Whether focused on scale or open books, aggregators win because they are leaner operationally and excel at risk management. In some cases, the management of legacy operations is outsourced. Those firms that can achieve peak efficiency may run functions "as a service" for other insurers.

They use upgraded technology to run advanced analytics on non-economic risks. Marketing, sales and product development are secondary concerns, at least before books are opened. Capital comes from PE firms and reinsurers. The business is managed rigorously to meet financial KPIs, particularly expense ratios, and deliver a strong return on capital.

### Scale players:

Because scale leads to cost efficiencies, these aggregators constantly hunt new books to buy and opportunities to expand geographically. To ensure regulatory approval of their deals, they must maintain solid service operations for existing customers. Some scale players may be so successful that they choose to open new books or write new business, which will put new emphasis on solution development and other customer-facing capabilities.

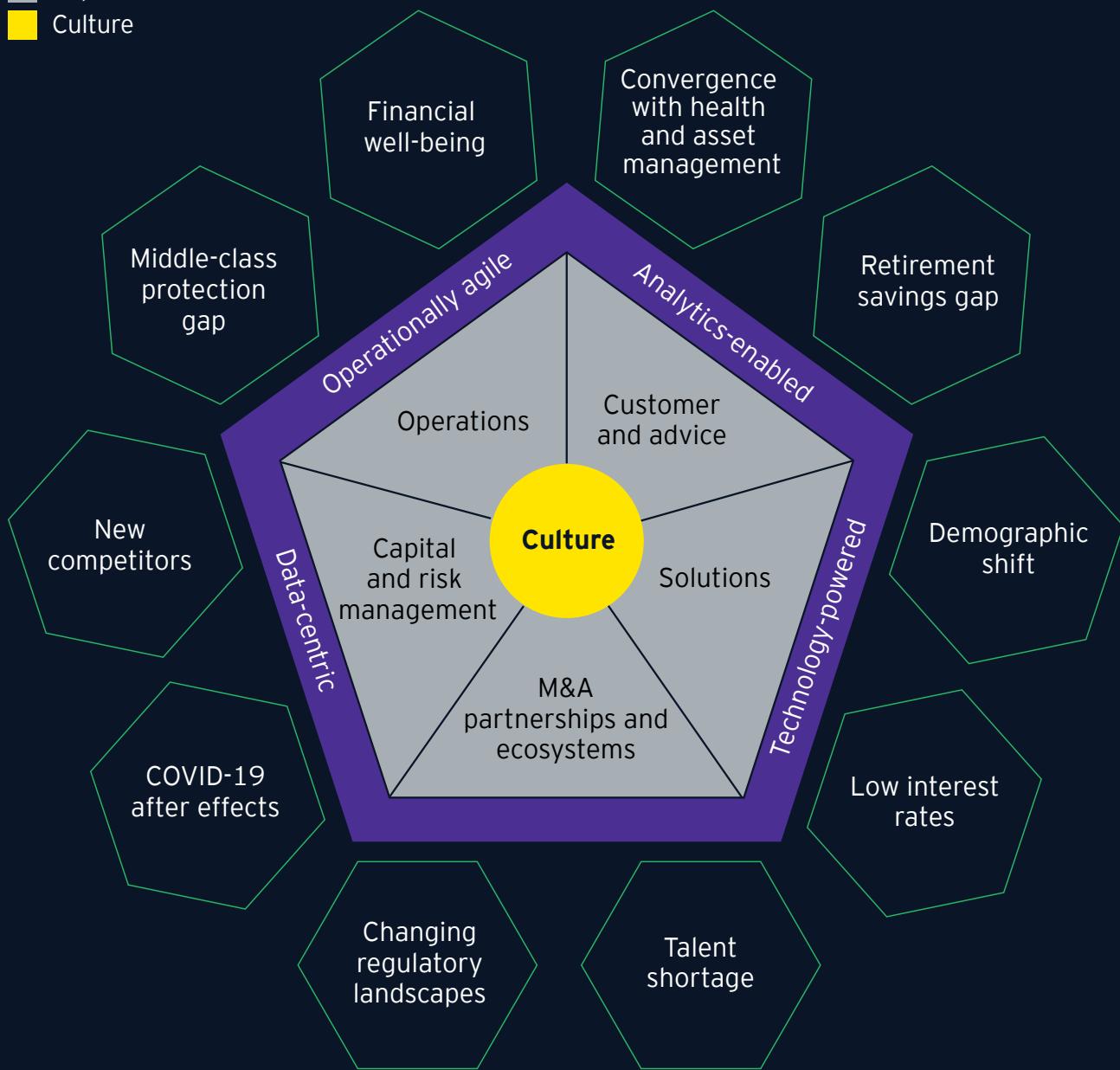
### Open book:

To expand successfully into open books and capitalize on large in-force portfolios, aggregators must build on embedded customer relationships with innovative new products. Distribution will be handled digitally or via partnerships with existing networks. Advice and quality customer experiences become more important, as do more advanced analytics capabilities. Longer term, the largest and most successful aggregators will enhance acquired portfolios with new offerings they develop or acquire.

No matter which business models insurers choose, they will have to cultivate a number of critical attributes and capabilities, even as they navigate dynamic, and ever-changing market forces.

Four dimensions of the future business model:

- █ External forces
- █ Technology
- █ Capabilities
- █ Culture



# Leading the next wave: imperatives and frameworks for a more purposeful and profitable future

Decisions made and actions taken in 2020 will go a long way to determining the results of 2030.

Indeed, the firms that most successfully transform will be those that drive near-term change now, while simultaneously placing intelligent, long-term bets for what's next and beyond.

We believe the following actions, as well as EY's long-term value (LTV) framework, will help insurers seize the most compelling opportunities ahead in the next decade.

## Optimize capital and risk for the new era.

- ▶ Diversify and allocate more resources to high-growth markets, more profitable segments and higher margin parts of the value chain.
- ▶ Use acquisitions, divestitures and reinsurance to reduce risk and find opportunities.
- ▶ Embed a customer-centric product strategy shifting towards more holistic, simpler, flexible solutions.
- ▶ Design omnichannel experiences and hybrid advisory models around a balance of high tech and right touch.
- ▶ Re-assess asset and liability management and new business strategy in light of persistently low interest rates, aligning investments to less capital-intensive products and the redistribution of global asset pools toward the East and South.

## Understand and engage customers where they are – help them get where they want to go.

- ▶ Employ advanced data analytics, such as customer identity graphs and customer journey maps to create profiles based on needs and life stage.
- ▶ Embrace convergence to reorient the value proposition from protection to prevention, with an emphasis on achieving financial goals.
- ▶ Build on trust and advice capabilities to launch Retirement 2.0 solutions, enabling customers to live the lives they want.
- ▶ Create simple, transparent, flexible and personalized life, medical and retirement solutions for customers to maintain ownership of their financial well-being.
- ▶ Speak to the needs of the largely under-penetrated middle class with simpler and more cost-effective solutions, such as subscriptions.
- ▶ Apply behavioral economics – such as loss aversion and immediate gratification – to drive engagement and better outcomes for customers.

## Build the right partnerships for customers and society.

- ▶ Proactively collaborate with distribution partners and industry bodies to develop a sustainable, cost effective advice framework, applying lessons learned from the UK and Australia.
- ▶ Embrace InsurTechs and incubators to drive innovation and cost efficiencies by optimizing various value chain components.
- ▶ Develop your own and/or engage in others' ecosystems to access new customers and increase engagement and retention.
- ▶ Engage with governments, regulators and asset managers to address the widening retirement savings and protection gaps through product innovation, policy changes, tax incentives and the issuance of long-term bonds.
- ▶ Support public authorities, schools and customer associations in educating customers on the importance of financial well-being and insurers' role.

## Address the talent gap by focusing on purpose and the work experience.

- ▶ Define, clarify and articulate your purpose in a way that resonates with younger and more diverse talent.
- ▶ Drive change management initiatives that foster cultural change in line with purpose and a more engaging employee experience.
- ▶ Identify future skills needs and which current workers can be upskilled or retrained.
- ▶ Build recruiting programs around a credible, persuasive story about the company's mission and the industry's role in society.
- ▶ Train staff to be digital-first in their thinking and to focus on high-value work (e.g., analytical tasks and exception management).
- ▶ Embed data scientists and technology experts across the value chain to accelerate transformation and innovation.

## Go all in on digital transformation to future-proof and present-optimize the business.

- ▶ Accelerate and expand digitization initiatives, and align them for holistic transformation.
- ▶ Automate all middle- and back-office functions and consider outsourcing what can't be automated or is too expensive to digitize.
- ▶ Eliminate organizational barriers to foster strategic alignment and internal collaboration across product lines, business units and functions (particularly underwriting and distribution).
- ▶ Enrich and target customer-facing digital experiences for increased personalization.
- ▶ Understand and navigate the ethical, regulatory and legal constraints to using biometric, genetic and Internet of Things data shared by customers.
- ▶ Based on shared data, build the products and business models enabled by enhanced risk underwriting, dynamic pricing and personalized offers.



The firms that most successfully transform will be those that drive near-term change now, while simultaneously placing intelligent, long-term bets for what's next and beyond.

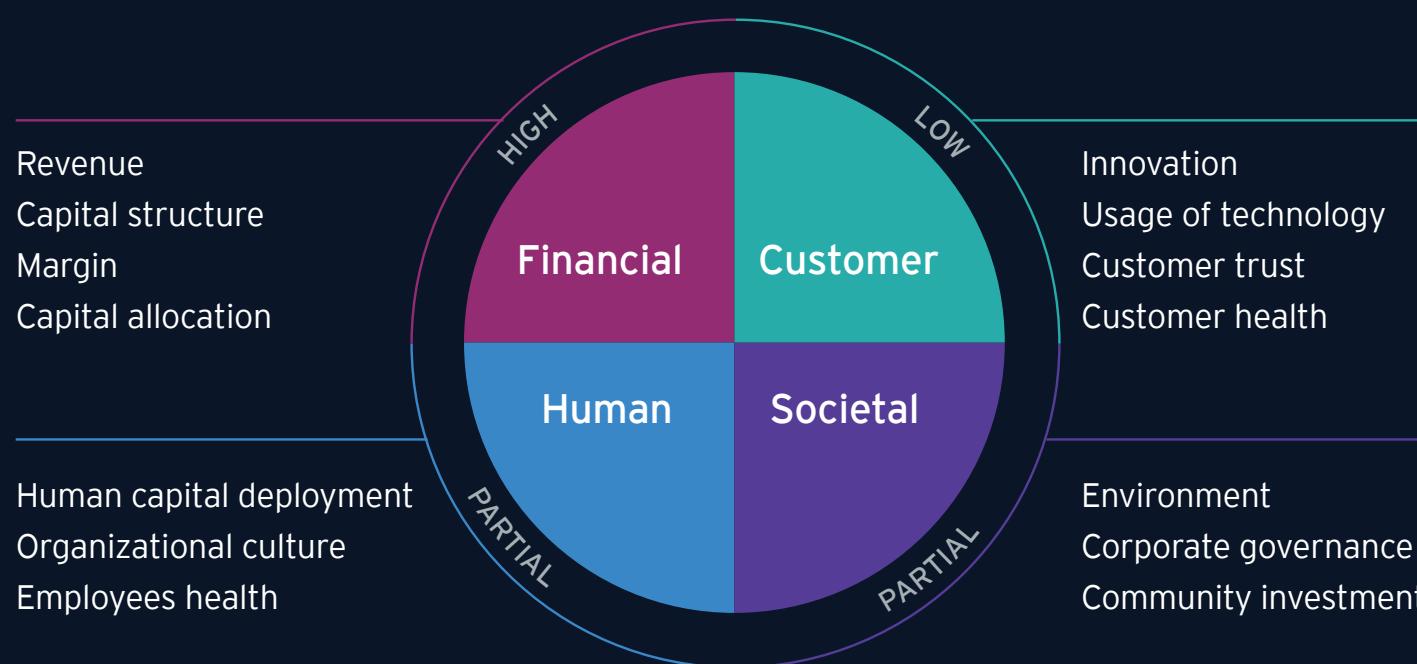
# Templates for transformation: the EPIC and EY LTV frameworks

As life insurers refine their strategies for the decade ahead, they are well served to consider new inputs and new metrics to measure their success.

The EY-led **Embankment Project for Inclusive Capitalism (EPIC)**, developed with 31 asset managers, asset owners and companies, has defined a long-term value framework that provides a template for transformation.

The EPIC framework is built on the idea that corporate value cannot be measured by financial metrics alone and that companies serve other stakeholders beyond shareholders. As such, the framework incorporates intangible assets such as intellectual property, talent, brand and innovation, which comprise a dominant share of business value today. The framework also reflects that corporate purpose is increasingly important to consumers, regulators and investors, but is not fully captured by traditional financial statements. COVID-19 and other significant events have only increased the pressure on businesses to think beyond short-term bottom-line metrics in measuring success.

EY's framework identifies four distinct types of levers that contribute to long-term value: customer, human, societal and financial.



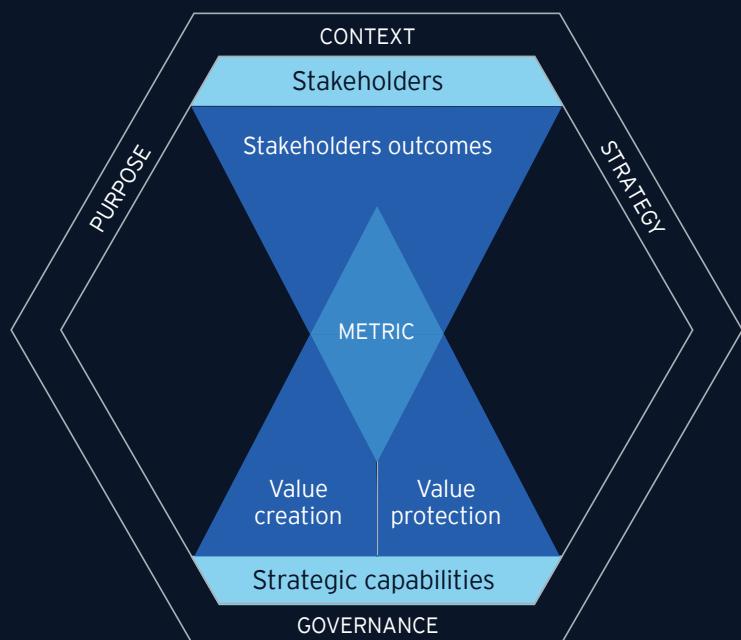
Within these categories, the LTV framework outlines a four-step process for better articulating to investors how companies create and measure long-term value:

1. Establish business context, purpose and strategy: analyze the overall context in which companies operate, as well as their purpose, strategy and governance, to determine which outcomes matter most to stakeholders.
2. Assess stakeholder outcomes: think through which capabilities and resources are required to deliver outcomes stakeholders desire in balance with the need to protect the longevity of the business model.
3. Identify strategic capabilities and value drivers: maintain the existing strategic capabilities necessary to create and protect value, and identify new ones that require investment as context, purpose, strategy and governance change over time.
4. Develop metrics for long-term value: define metrics to measure both the achievement of stakeholder outcomes and the health of strategic capabilities to inform management and investor decisions about long-term performance.

It's critical to note that the LTV framework does not aim to replace traditional measures for shareholder value, but rather expand and enhance them, while defining ways companies increase that value. Further, it aims to increase transparency and enhance tracking progress against a broader range of value-creating activities. More than just reporting exercises, a focus on LTV can help shape corporate culture for the better. Companies that see beyond bottom-line performance will be a hallmark of the top performers in 2030 in life insurance and other sectors.

Learn more about the EY-led Embankment Project for Inclusive Capitalism and read its [initial report >](#)

The EPIC Long-Term Value Framework maps more holistic value drivers to specific business activities and outcomes.



# Conclusion: growth and renewal in the decade ahead

This global research illustrates the huge scope, far-reaching extent and accelerated pace of change that's coming in the next decade. We believe the life insurance and retirement industry will look dramatically different in 2030, even as it continues to orient around a singular purpose – the responsibility of protecting and providing well-being to individuals, families, businesses and communities.

As they navigate dynamic and sometimes turbulent market conditions, insurers in different markets will adopt different approaches. Some markets will grow more similar - China or Germany will start looking more like the US or UK markets in terms of products, services and business models. More convergence between life insurers and asset managers looks inevitable. Some insurers will take a "back to the future" approach with their emphasis on protection products.

Incremental change may be enough for some companies to survive. But it will certainly not be enough to thrive. That's why the substantial transformation efforts already underway are so encouraging. Companies that commit to creative thinking, bold action and continuous innovation have an opportunity to fundamentally reposition around a higher order of value - overall well-being.

The importance of the shift from selling life insurance to promoting quality of life through increased financial security and greater physical and mental health is not to be underestimated. Perhaps the old industry saying that "life insurance is sold, not bought" can be permanently retired. Companies with the right strategies, business models and cultures, along with the right products and services, will find that people actually do buy life insurance and retirement products. Further, they buy these products because they want them, need them and understand the value they provide, both to them as individuals and to their families.

Navigating forward during a time of unprecedented economic uncertainty will be challenging. But those firms that prove themselves willing and capable of undertaking profound and rapid transformation will deliver tangible value not only to their own bottom lines, but also to the lives of countless individuals and families, as well as society as a whole.

We hope you enjoyed reading this report. We very much look forward to discussing the future of the industry with you. Please reach out to any of the contacts listed on page XX to learn more.

Incremental change may be enough for some companies to survive. But it will certainly not be enough to thrive.

# Further reading



Personal lines and  
small commercial

[Read now >](#)



Large commercial  
and reinsurance

[Read now >](#)

## EY NextWave Diagnostic

Insurance executives are naturally curious about which business models of the future are best suited to their organizations – and how much transformation will be necessary to fulfill the vision. The first step is to understand where you are today. The EY Global Insurance team has developed a robust diagnostic tool to help life insurers, asset managers and other financial services firms understand where they are today and which challenges they must navigate during the next wave. An interactive data-sharing and diagnostic session starts the process. Please consult our contacts on page 44 to learn more.

---

# Contacts

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.