2024 DISTRIBUTION CONFERENCE

Winning Together

Capitalizing on Life Insurance and Annuity Sales Growth in an Evolving Distribution Landscape

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LIMRA and LOMA

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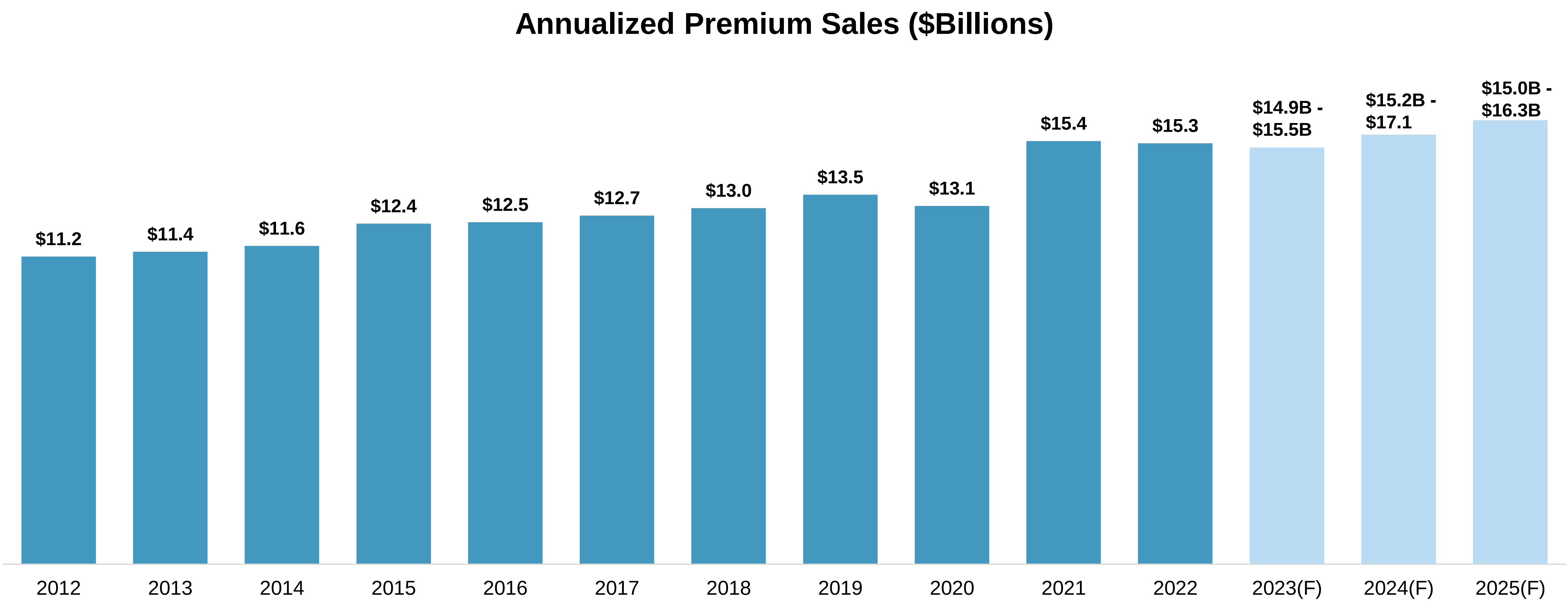
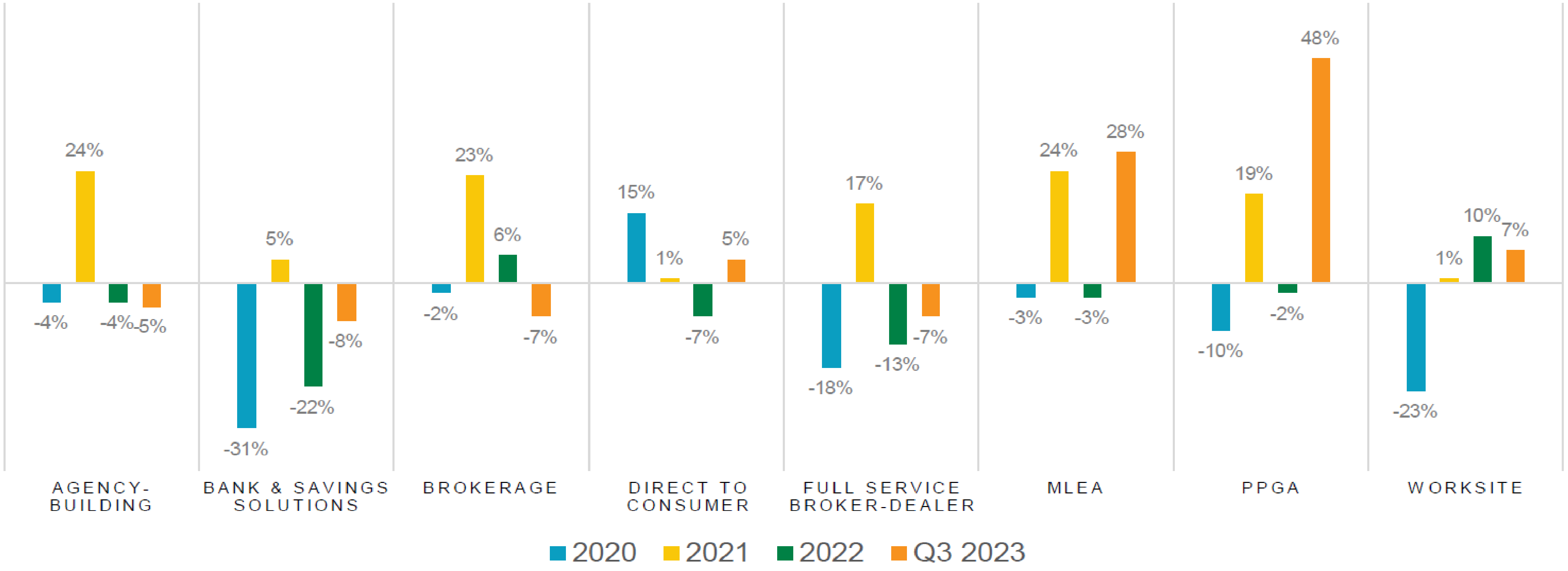
Overall Life Insurance Sales Trends and Forecast



Source: Individual Life Insurance Sales Survey, LIMRA, 2023

U.S. Life Insurance Growth Rates By Channel



Percent of Annualized Premium (Q3 2023)							
30%	1%	43%	6%	2%	9%	7%	2%

Source: Individual Life Insurance Sales Survey, LIMRA, 2023

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Life Insurance Need Gap

41% of Americans live with a life insurance need-gap

101 million adult consumers

Source: 2023 Insurance Barometer Study, LIMRA and Life Happens

A Record Year for All Spread-Based Annuity Products

FRD	FIA	RILA	DIA	SPIA
$164.9	$95.6	$47.4	$4.1	$13.2
46%	20%	15%	96%	43%

Source: LIMRA Monthly Annuity Report 2023,
2023 YTD Growth

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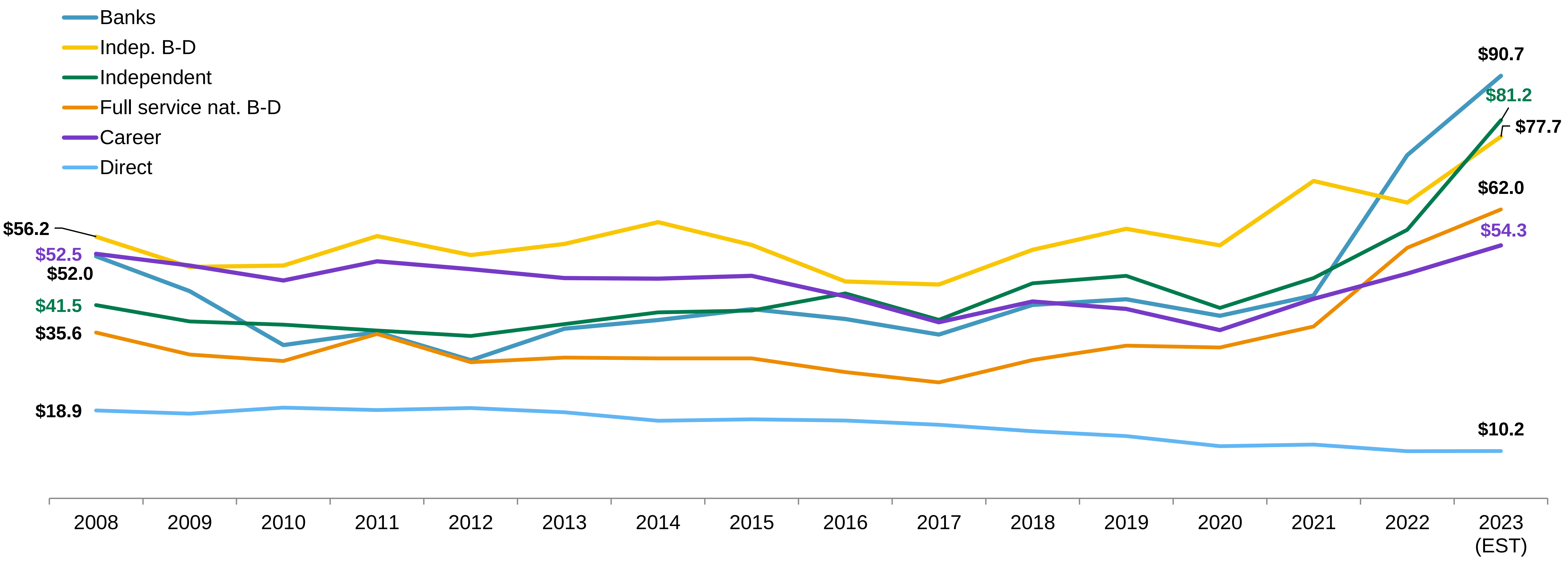
Banks Lead in Annuity Sales – Second Year in a Row

Annuity Sales by Distribution Channel



Source: LIMRA and LOMA, *U.S. Individual Annuities Survey*
Dollars in billions

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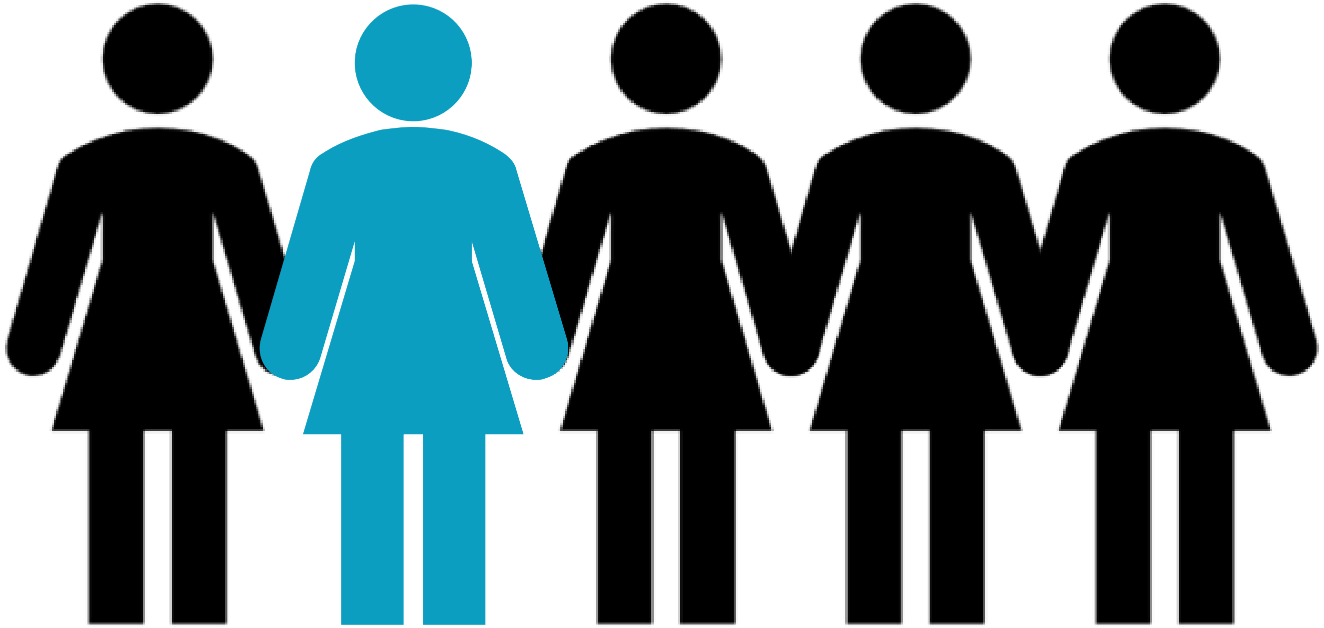
One out of 5 Retirement Investors Households Own an Annuity



Source: In Focus: Annuity Owners and Non-Owners, LIMRA, 2023.

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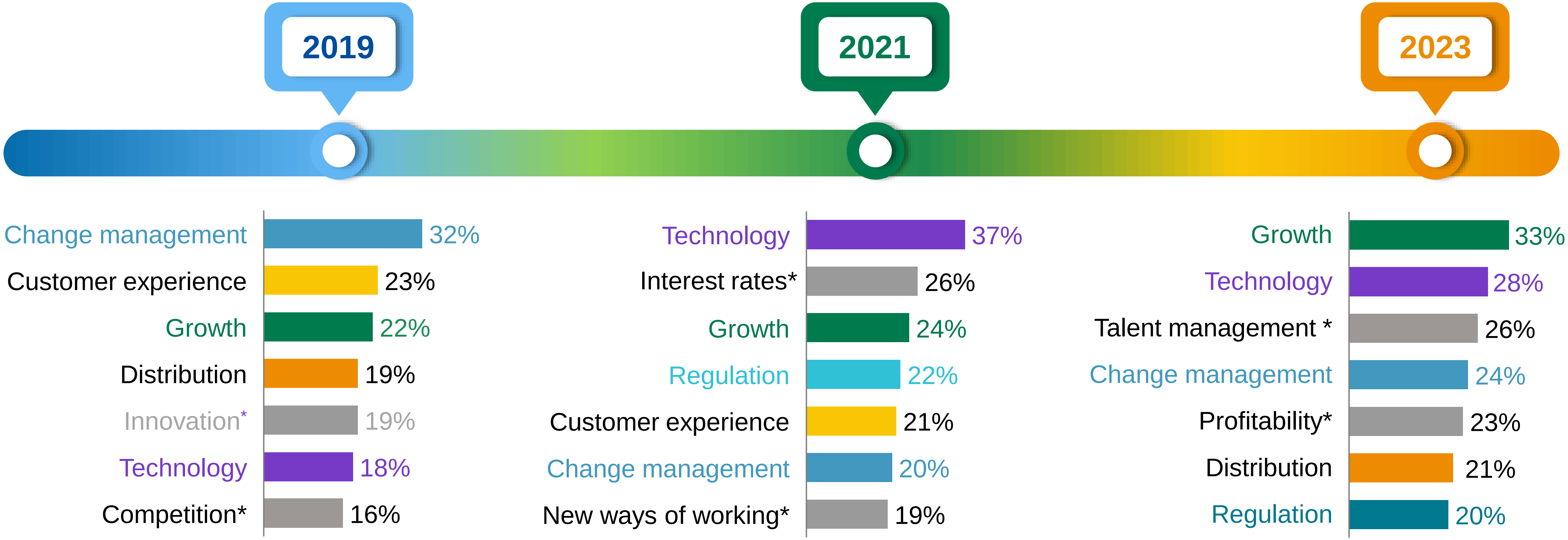
Growth Is the Top Challenge for Life Insurance Companies

Top Challenges by Year



Sources: Life Insurance Executive Survey: Seizing Growth Opportunities, LIMRA and BCG, 2023.
Note: New ways of working was added as a category in 2021.
*The challenge appears only once among the top challenges since 2019.

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Top Five Growth Opportunities

Insurers should take advantage of five opportunities to address growth and other key challenges

1. Personalizing the journey
2. Helping advisors to help clients
3. Modernizing technology front-to-back
4. Partnering to accelerate innovation
5. Attracting and retaining talent

Sources: Life Insurance Executive Survey:
Seizing Growth Opportunities, LIMRA and BCG, 2023.

Personalizing the Journey

Leading Carriers Are Enabling Data-Driven Personalization

The customer experience — and the critical capabilities that enable it — will drive growth.

Simplifying the customer journey will enhance the customer experience and improve the conversation rate.

74%

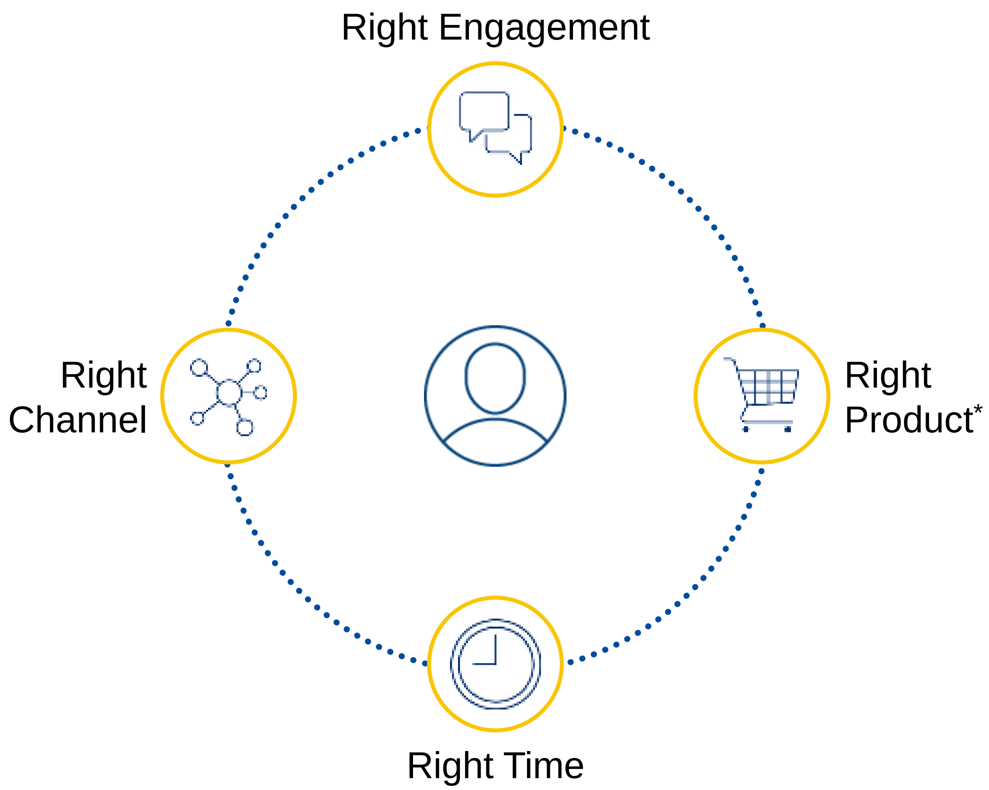
About 74% of respondents view **data science and data analytics** as crucial to success

66%

About 66% of respondents view **customer service technologies** as crucial to success

> The ability to engage customers in meaningful ways will be critical to persistency over time.
>
> — An in-force management executive

Successful one-to-one personalization meets four customer needs.



Sources: Life Insurance Executive Survey: Seizing Growth Opportunities, LIMRA and BCG, 2023. Executive interviews; BCG analysis.
Note: The conversion rate is the percentage of qualified customers who buy an insurance product.

Helping Advisors to Help Clients

Many Insurers Are Focused on Improving Tools and Offering Insights to Help Advisors Build and Maintain Customer Relationships

Assisting advisors requires investment.

60%
of respondents

Identified **helping advisors** as a top distribution challenge.

69% of advisors

Chose **service & relationship** as the top reasons for using an independent marketing organization.

New capabilities are being deployed to meet advisors' needs.

Lead generation & analytics

- Ecosystem-based leads (e.g., social media and partners, etc.)
- Propensity models
- Outbound engagement and marketing tools
- Personalization solutions

Holistic advice

- Interactive outreach (e.g., data intake apps)
- Co-browsing and co-pitching assistance
- Customer calls that include an insurance expert
- Financial planning tools

Automation

- Straight-through processing
- Self-serve account updates
- Chatbots
- Automated reminders

Sources: Life Insurance Executive Survey: Seizing Growth Opportunities, LIMRA and BCG, 2023.
Executive interviews; BCG analysis, *Inside the Intermediary 2.0,* LIMRA and the National Association of Independent Life Brokerage Agencies, 2023; executive interviews; BCG analysis.

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Data Driven Personalization — Understanding Market Segments

Growth Will Come From Traditionally Underserved and New Markets

Woman

54 million
in the U.S.

85%
are either the sole or the joint financial decision-makers in their households.

40%
In the U.S., the number of single-mother households with minor children has increased 40% since 1980.

Gen Z

68 million
in the U.S.

Smallest adult population today
Get it right as they are aging.

19 million
expressed an ownership need.

LGBTQ+

7.2%
of population

Nearly 20%
for Gen Z

Ethnicity

Black Americans:
higher ownership

Only 40%
own to transfer wealth or leave an inheritance.

Hispanic Americans:
62.1 million people
(an increase of **23%** over the past decade)

Sources: 2023 Insurance Barometer Study, LIMRA and Life Happens. United States Census Bureau, 2020. Gallup telephone surveys of more than 10,000 U.S. adults in 2022.

Generation Z — A Digital Approach to Life Insurance

The Digital Mindset

Gen Z is the first generation of true digital natives — social media is their go-to for information, research, and guidance when making purchasing decisions. The platforms they prefer vary from other generations, even Millennials.

In 2023, over half of Gen Z has reached adulthood with the oldest members of this generation now 26. This group accounts for 38.6 million adults — 16% of the U.S. population, and growing — as they continue to reach adulthood.

Balancing the Human Connection

2023 is the first year consumers have said they prefer to shop and purchase life insurance online rather than by attending in-person meetings. Although Gen Z prefers to research options online, they prefer the human connection to ultimately purchase coverage.

Sources: Life Insurance Executive Survey: Seizing Growth Opportunities, LIMRA and BCG, 2023. Executive interviews; BCG analysis, *Inside the Intermediary 2.0,* LIMRA and the National Association of Independent Life Brokerage Agencies, 2023; executive interviews; BCG analysis.

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Modernizing Technology Front-to-Back

Technology Modernization Is Table Stakes for Long-Term Success, and Leaders Do Not Believe Their Companies Are Prepared

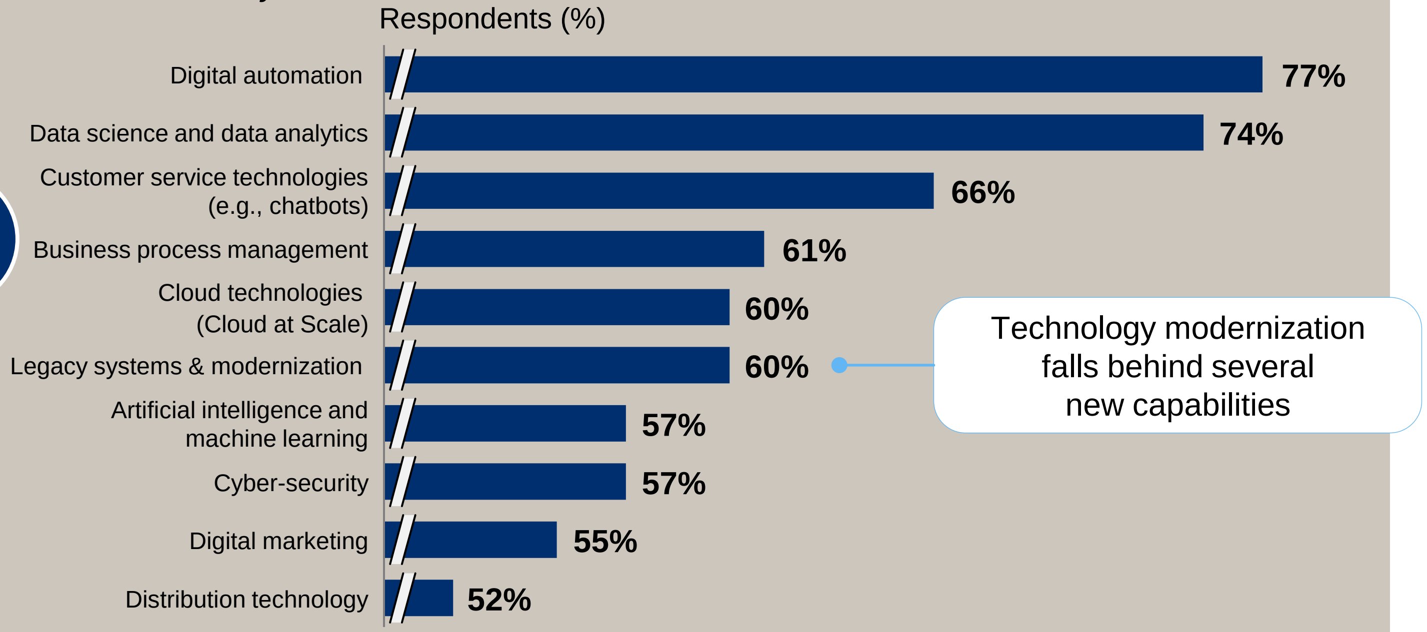
Technology is a top challenge that insurers are not prepared to address.

Respondents ranked technology among the **top three challenges**

Only 27% of respondents consider their companies prepared for the challenge

Insurers are investing in technology across the value chain, with automation, data science, and analytics as the most crucial.

What data/tools/technological advances are most crucial to your company's success in the next five years?



Sources: Life Insurance Executive Survey: Seizing Growth Opportunities, LIMRA and BCG, 2023. Executive interviews; BCG analysis
Note: NLP = natural language processing.

Partnering to Accelerate Innovation

Insurers Are Actively Partnering to Achieve Key Strategic Goals

Improve customer longevity

Offering rewards for healthy choices and tools that customers can use to improve their overall well-being

John Hancock + Vitality

Embed insurance at convenient purchase points

Promoting policies outside of the traditional life insurance purchase journey

Haven Life + Kinly

Enable simplified digital product sales

Offering consumers simplified and less expensive life insurance products digitally

Ameritas + Ethos

Enhance agent efficiency

Working with digital-native underwriter to issue coverage in less than 10 minutes

Equitable + Bestow

Underwrite policies profitably and quickly with expansive datasets

Accelerating the underwriting process by providing access to hospitals' HER* systems

New York Life Insurance + Cerner

Streamline backend functions and manage expenses

Intelligently sourcing data to resolve claims quickly and minimize cost

Pacific Life Insurance + Appian

Source: BCG analysis.
*Electronic Health Records.

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Attracting and Retaining Talent

Talent Management Is a Leading Challenge, and Rapid Industry Changes Require Insurers to Plan and Act Now to Build the Workforce of the Future

1 The ranking that respondents gave to promoting employee engagement when companies are focused on retaining talent

~25% The share of the insurance workforce that is age 55 or older

9th Ranking of insurance industry desirability among entry-level employees (the scale was 1 to 10, where 1 was most desirable and 10 was the least)

New roles & skills needed

Digital roles

- Data scientists
- Product managers
- UX and UI talent
- Digital marketers

21st century skills*

- Creativity and agility
- Critical thinking
- Collaboration
- Design thinking

Key actions

Reassess the hiring process and job requirements

Develop programs to reskill and upskill talent

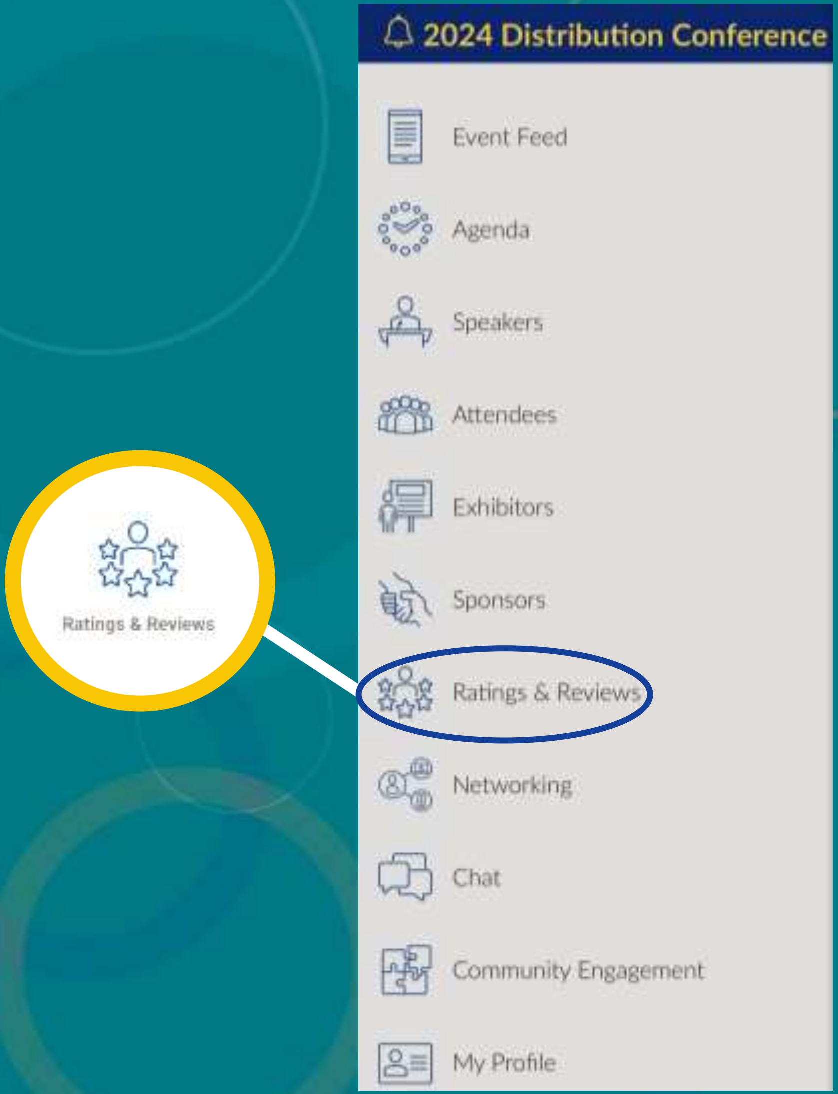
Build ecosystems of shared, temporary talent

Build a strategy and infrastructure for remote work

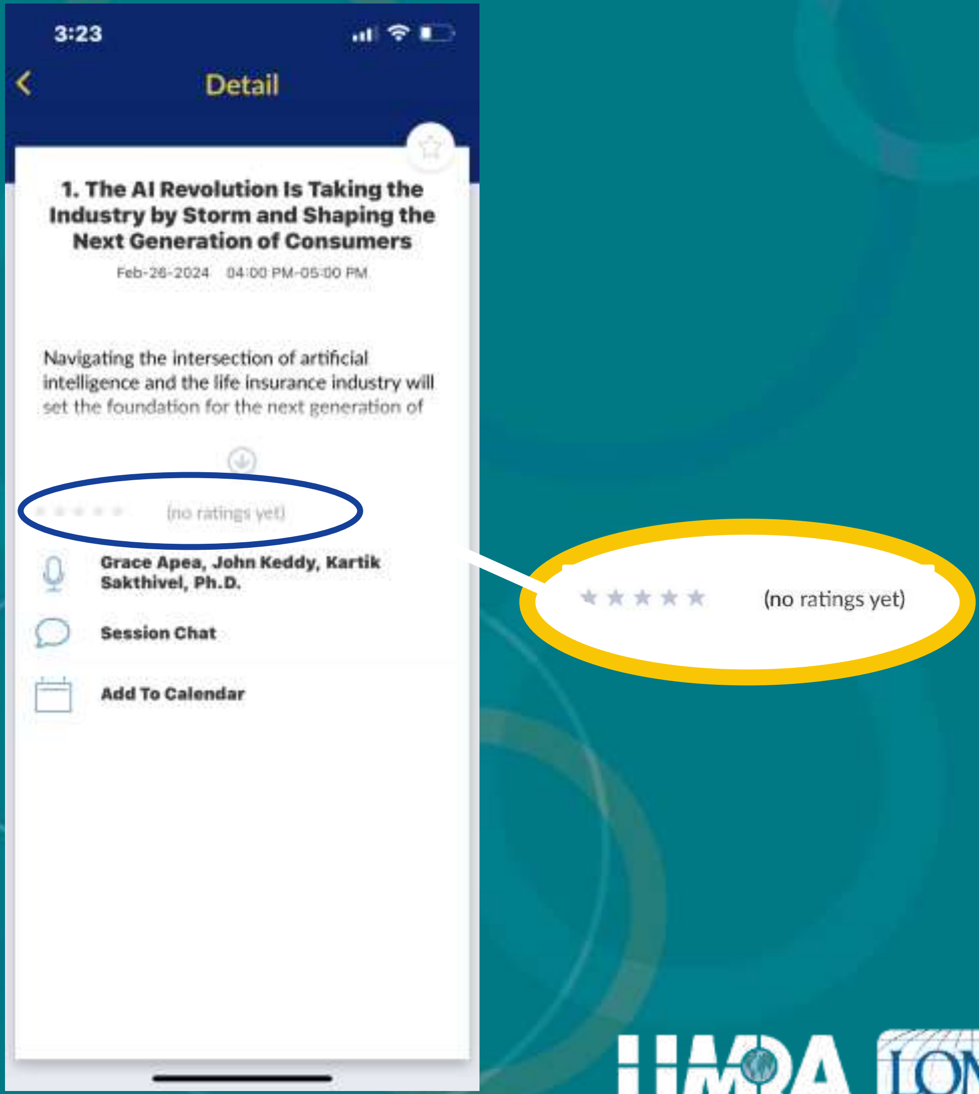
Sources: Life Insurance Executive Survey: Seizing Growth Opportunities, LIMRA and BCG, 2023. LIMRA's survey of chief human resource officers; BCG analysis.
Note: UX = user experience; UI = user interface.
*These are non-exhaustive examples of roles and skills.

Please Provide Your Feedback on the Conference App

OPTION 1



OPTION 2



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Partnering to Accelerate Innovation

Companies Are Also Partnering to Reduce Risk, Although Investments From Private Equity Firms Are Beginning to Attract Regulatory Attention

New partners are strategically sharing risk via coinsurance and reinsurance

~$350B

Modified coinsurance reserves for U.S. life insurers (the 20-year average is less than $200 billion)[4]

Numerous reinsurance deals were ceded from the originating insurer, sometimes to a carrier with an inferior credit rating.

PE-backed competitors have advantaged financial approaches

Revenue growth from 2018 to 2022

Athene	Global Atlantic Financial Group
+78%	**+122%**

PE-backed carriers significantly outgrew the industry average of 15% over the same time period.

Regulators are increasingly attentive to offshored risk

~$800B

Offshored life insurance reserves by end of 2022 (~20% CAGR)

Regulators are initiating discussions on solvency and policyholder protection.

Sources: S&P Capital IQ; SNL Insurance data set; Dow Jones Factiva; Life and Annuity Specialist; BCG analysis.
*Modified coinsurance is a type of reinsurance where the ceding company retains the assets with respect to all policies reinsured and also retains the total reserves on the policies, while transferring the investment risk.

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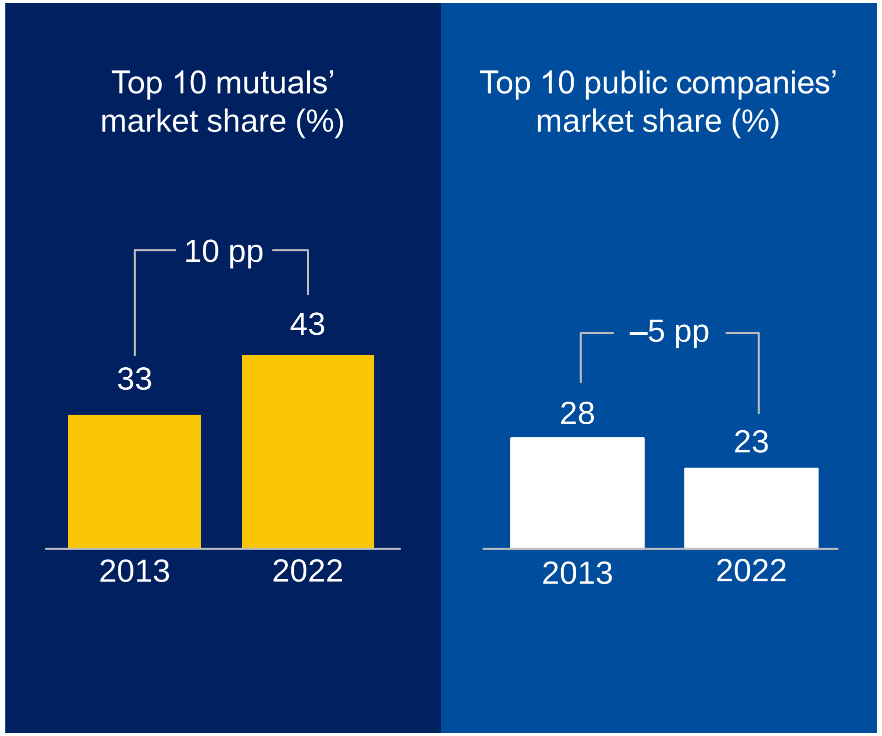
Personalizing the Journey by Focusing the portfolio

Mutual Insurance Companies Have Grown Their Market Share While Public Companies Have Focused Their Product Portfolio

Individual life insurance by premiums written.*



Public companies continue to narrow their product offering.

- **2017** MetLife spins off its U.S. retail business, which launched Brighthouse Financial
- **2021** MetLife sells its U.S. P&C business to Farmers
- **2022** Principal Financial sells its retail business to Sixth Street
- **2022** Prudential Financial sells its retirement business to Empower
- **2022** AIG spins off its U.S. retail business, which becomes Corebridge Financial
- **2023** Corebridge Financial sells its Irish healthcare business to AXA

51% Share of respondents who plan to focus on products with higher profit margins as a top-three strategic priority

Sources: Life Insurance Executive Survey: Seizing Growth Opportunities, LIMRA and BCG, 2023. BCG analysis.
Note: pp = percentage point. P&C = property and casualty.
US Retail Individual Life Insurance Sales Survey, 2013 – 2023, LIMRA, and LIMRA's estimates.

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Helping Advisors to Help Clients

Is the Consolidation of IMOs and BGAs an Expanding Threat to Carriers?

Consolidation trend in distribution is top of mind.

~50%

Share of respondents that rank consolidation as a top distribution challenge

>50

Number of M&A deals by the big three aggregators of life and annuities, 2022*

As distribution consolidation threatens margins, carriers are making several strategic moves.

- Investing in affiliated agencies
- Acquiring distribution
- Partnering with IMOs and BGAs for product development
- Executing hybrid distribution strategies

Sources: Life Insurance Executive Survey: Seizing Growth Opportunities, LIMRA and BCG, 2023. Executive interviews; S&P Capital IQ; BCG analysis.
Note: IMO = independent marketing organization; BGA = brokerage general agency.
*The big three distributors of life and annuity are AmeriLife, Integrity Insurance, and Simplicity Group.

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