



2024 LIFE
INSURANCE
& ANNUITY
CONFERENCE

**Powering
Growth**

Executives in Action: Responses to An Evolving Annuity Market





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Slido: What do you see as the biggest risk to the annuity industry?

Credit Risk: The risk that counterparties will fail to perform

Fraud and Cyber crime: The risk to insurers from fraud and cyber crime.

Interest rates: The risk to insurance companies from changes in interest rates

Macro-economy: The risk that poor economic conditions will hinder the industry

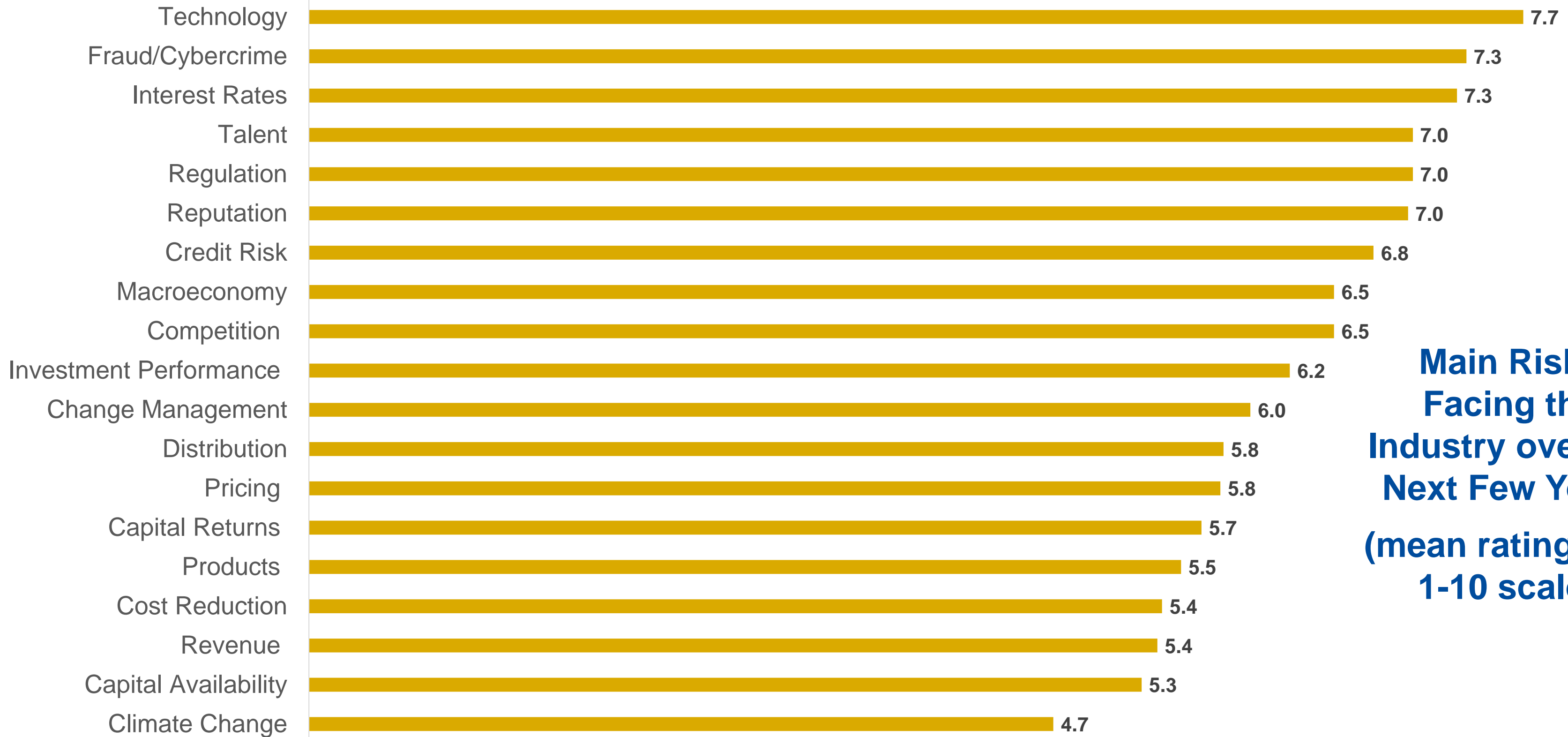
Regulation: The risk of excessive or inappropriate regulation.

Reputation: The risk of adverse perception or lack of public trust.

Talent: The risk that insurers will have difficulty attracting and retaining needed talent

Technology: The risk that insurers will fail to keep up with technological change.

The Industry Faces Multiple Risks



Main Risks Facing the Industry over the Next Few Years (mean rating on a 1-10 scale)

Technology Modernization Is Table Stakes for Long-Term Success

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



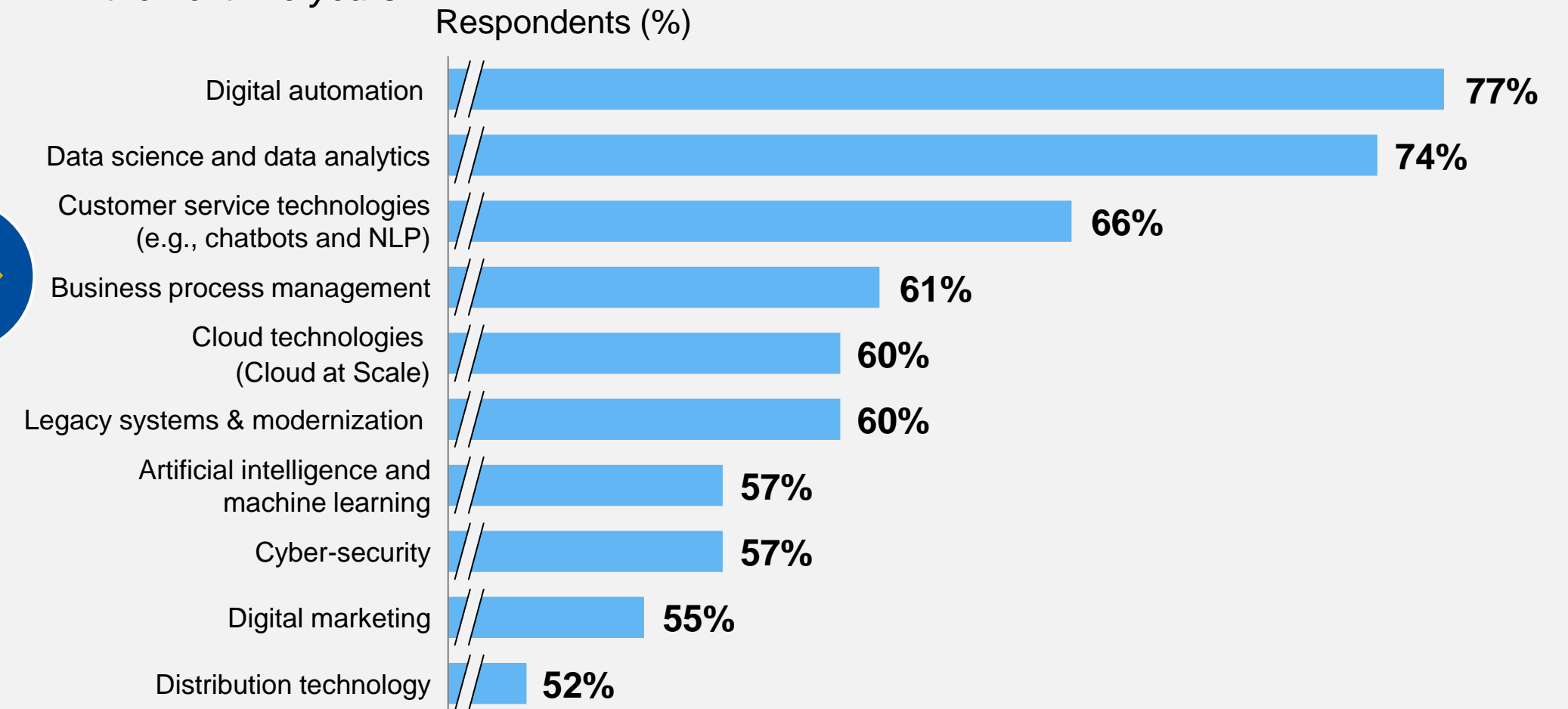
Respondents ranked technology among the **top 3 challenges**



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.

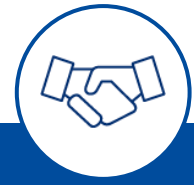
What data/tools/technological advances are most crucial to your company's success in the next five years?



Sources: BCG and LIMRA's 2023 global survey of life insurance executives; executive interviews; BCG analysis.
Note: NLP = natural language processing.

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

Partnering to accelerate innovation



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

+78%

Global Atlantic Financial Group

+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.

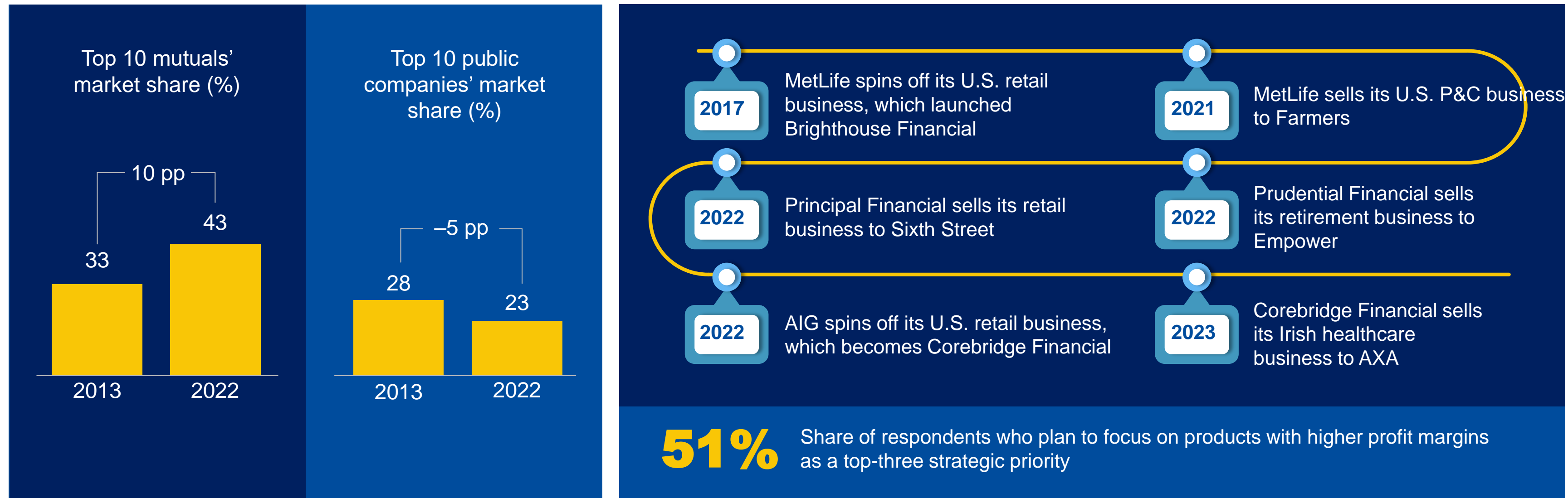
Sources: S&P Capital IQ; SNL Insurance data set; Dow Jones Factiva; Life and Annuity Specialist; BCG analysis.

⁴Modified 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.



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

Individual life insurance by premiums written.¹ Public companies continue to narrow their product offering.



Sources: BCG and LIMRA's 2023 global survey of life insurance executives; executive interviews; BCG analysis.
 Note: pp = percentage point. P&C = property and casualty.
¹LIMRA's US Retail Individual Life Insurance Sales Survey, 2013–2023, and LIMRA's estimates.

The Consolidation of IMOs and BGAs Is 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, 2022²

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



Sources: BCG and LIMRA's 2023 global survey of life insurance executives; executive interviews; S&P Capital IQ; BCG analysis.
Note: IMO = independent marketing organization; BGA = brokerage general agency.
²The big three distributors of life and annuity are AmeriLife, Integrity Insurance, and Simplicity Group.



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' EHR³ 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.
³Electronic Health Records.

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 skills⁵



- Creativity & agility
- Critical thinking
- Collaboration
- Design thinking

Key actions

Reassess the hiring process & job requirements

Develop programs to reskill and upskill talent

Build ecosystems of shared, temporary talent

Build a strategy and infrastructure for remote work

Sources: BCG and LIMRA's 2023 global survey of life insurance executives; LIMRA's survey of chief human resource officers; BCG analysis.

Note: UX = user experience; UI = user interface.

⁵These are non-exhaustive examples of roles and skills.



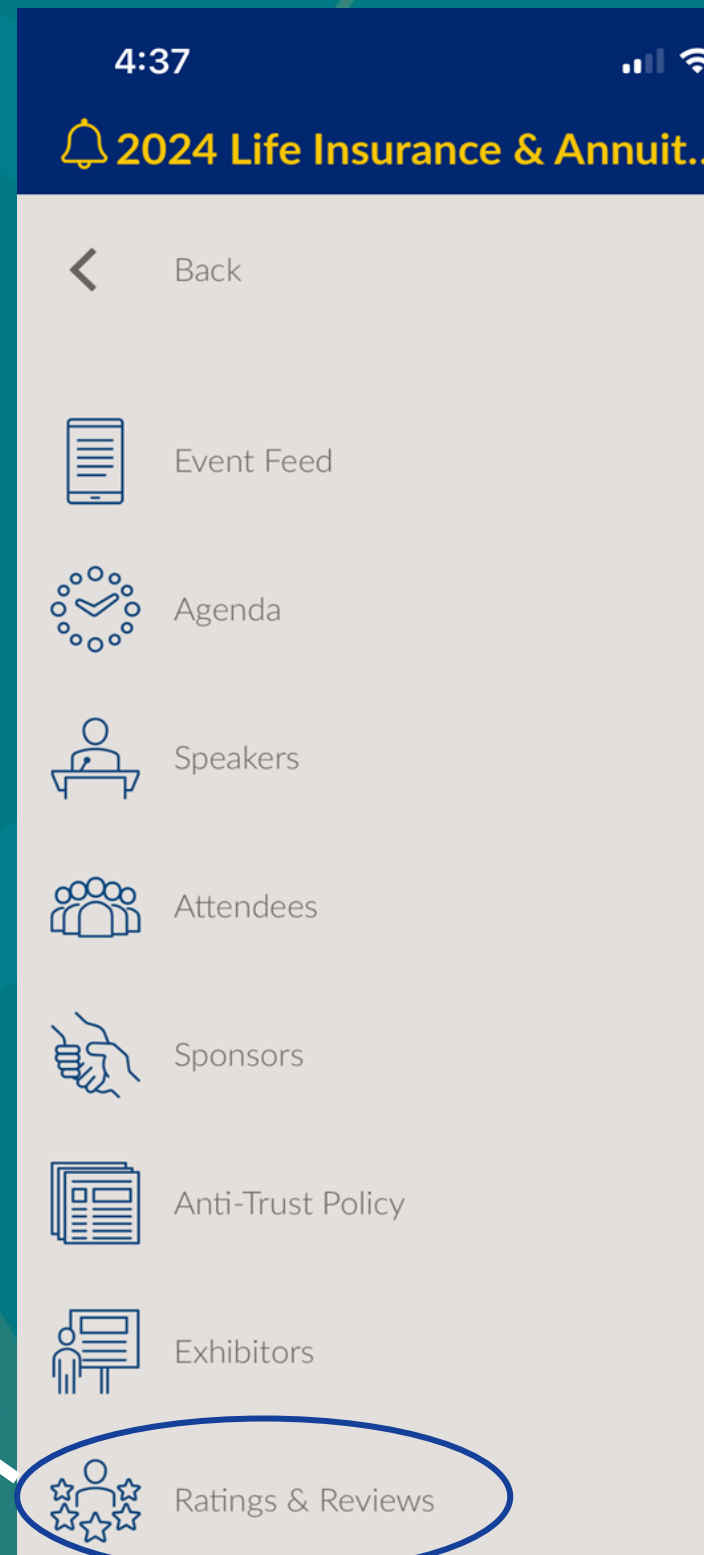


Audience Questions

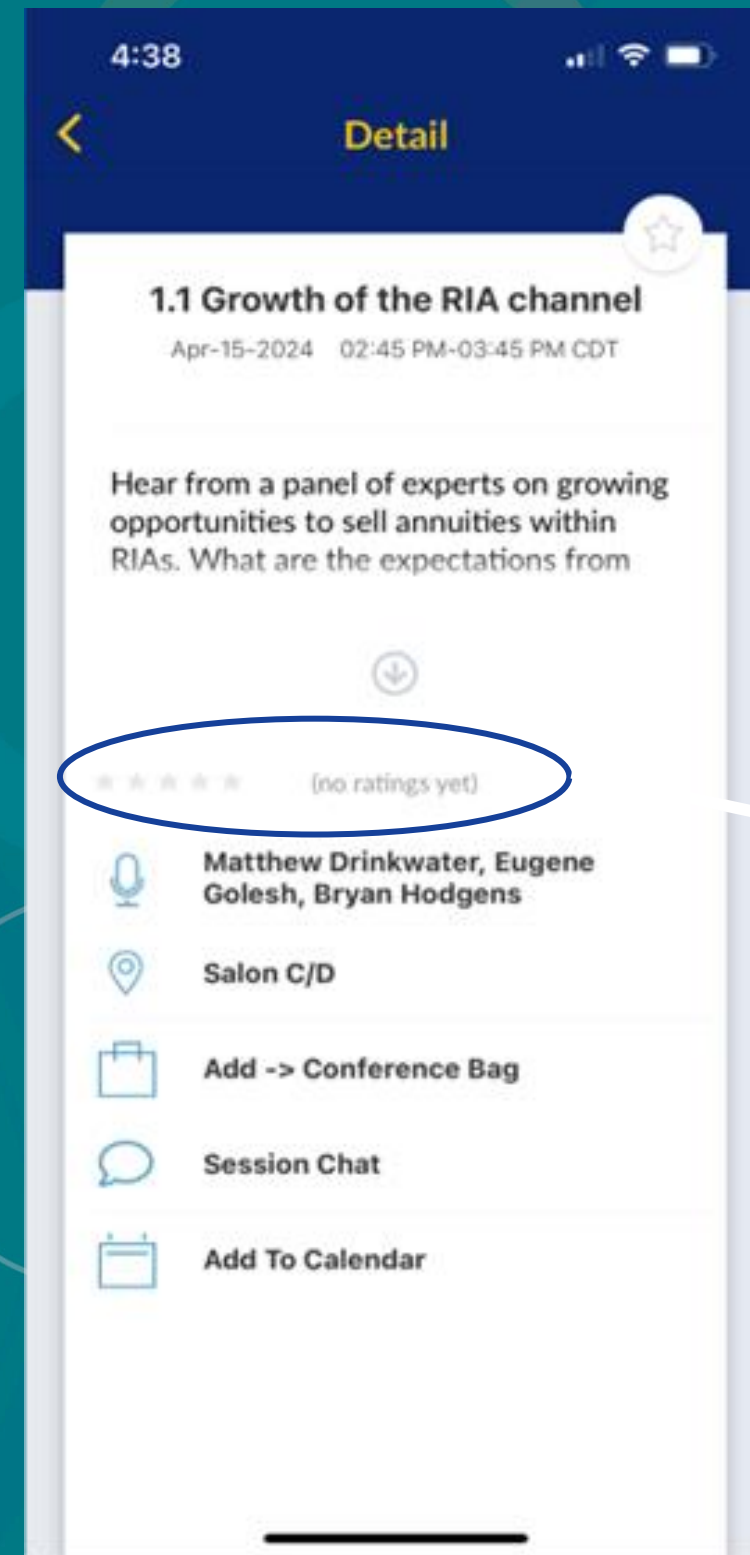


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OPTION 2



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