



Institute
and Faculty
of Actuaries

Life Conference 2023

22-24 November, ICC Birmingham





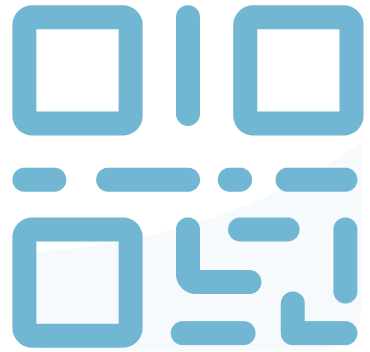
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To infinity and beyond - what next for life insurance?

James Cousins
Jessica Lewis
Ewen Tweedie



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#3732573

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Agenda

- 01 Welcome & introductions
 - 02 The external market
 - 03 Customer expectations
 - 04 Implications for insurers
 - 05 Summary
-



Welcome & introductions





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Risk Modelling Services

The external market



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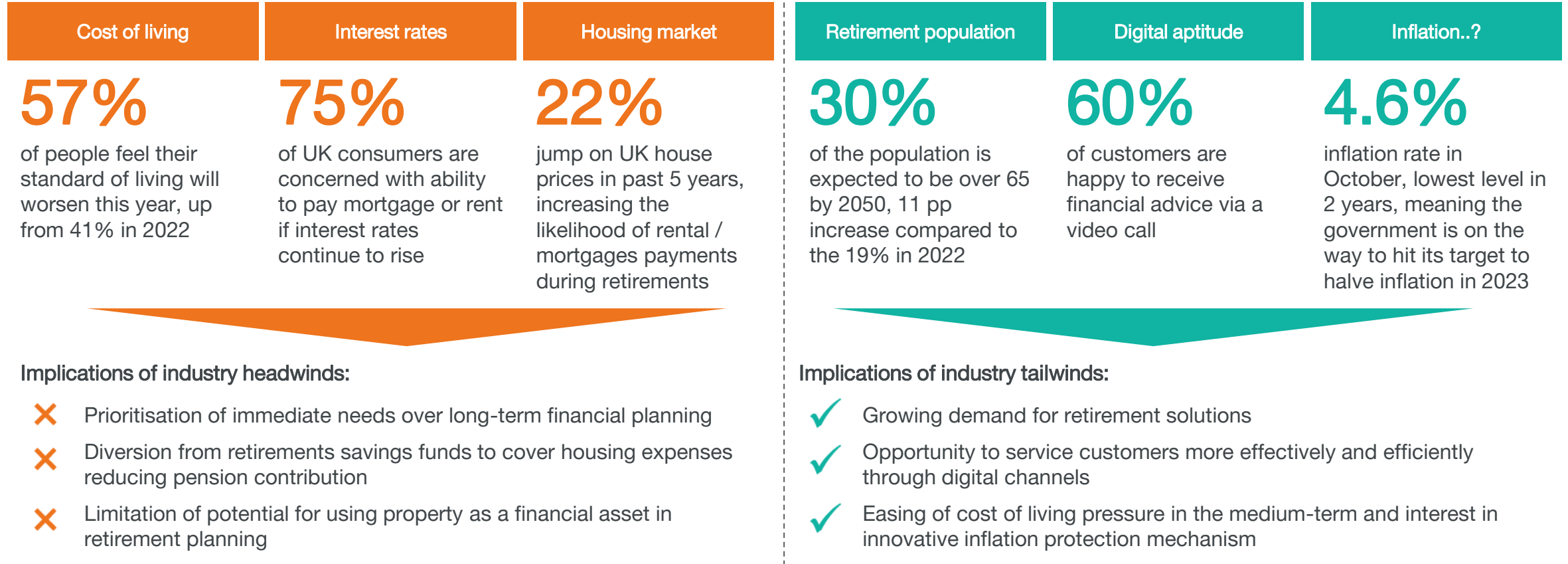


What percentage of people think their standard of living will worsen this year?

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The UK is going through a demographic shift with market volatility impacting the cost of living

Macro trends - the UK by the numbers



Life & Retirement customers face particular challenges with saving and gaining adequate protection

Customer trends

Most are not saving enough for retirement which is exacerbated by a knowledge gap

Savings gap:

- 66% of retirees do not have enough savings to sustain retirement income

Knowledge gap:

- 69% of customers do not understand their retirement income options well
- 31% of customers are interested in advisory, but do not understand how to access it

As a result, many are working longer, and the onus falls on challenged younger generations

Working for longer:

- ~20% of pre-retirees over 50 plan to continue working indefinitely

Challenges for younger generations:

- 49% of 22-29 year olds are not saving enough for a retirement above the poverty line
- 3x to 8x house-to-income price ratio growth over the past 30 years

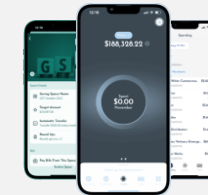
Consumers face similar issues in understanding Individual Protection options, whilst expectations increase in Group

Coverage gap:



- ~21% of consumers have considered Protection but do not have a policy, overestimating the cost by 2.5x on average

Increasing benefit expectations:



- 60% of employees expect comprehensive benefits packages, including wellbeing support

Competitors are responding with innovation across the value chain to better meet customer needs and differentiate

Competitor responses



Driving engagement early in accumulation

- Providing a holistic view of the customer (beyond demographics) using understanding of behaviours and preferences across the member population
- Leveraging Life & Health data to recommend context-specific products and services as needs evolve
- Offering hybrid-advice models to better meet needs efficiently



Innovative products in decumulation

- Flexible retirement solutions with guaranteed monthly income, upside potential return, and ability to exit early
- AI Chatbot to digitalise and automate pay-out
- Integration of ESG investment options



Value added services in Group protection

- Integrated virtual GPs
- Tools for employers to measure the impact of well-being on productivity and monitor all existing benefits programs
- Employee platform for the detection and management of health issues



Tailored proposition in Individual protection

- Open Finance to analyse customers' requirements, transaction data and overall financial health
- Customer-centric approach to product recommendations with customisable coverage
- Dynamic pricing model with automation

Customer expectations



The external landscape informs the types of experience that members have come to expect

Current challenges

Transactional model, limiting perceived value

Limited e- advice or guidance received

Paper based communications

Few touchpoints past enrolment

Increasing shift in assets across providers

Looming changes due to Consumer Duty regulation

Pensions Dashboard single view of all pensions

How the landscape is changing

Contributions & Savings

1 in 5 members have recently cut their contributions, while **28%** have changed their type of investments across their financial portfolio. Further, **47%** reduced or stopped paying into savings accounts.

Customer Communications

43% of pension schemes are reporting an increase in questions [from members] on investment performance.

50% of customers feel overwhelmed about their pension

Customer Support

1 in 5 have provided additional support and a further **23%** are considering doing so (e.g. access to independent financial adviser).

72% of customers are still doing little or no retirement planning

Financial Wellbeing

Almost half (**46%**) have of providers implemented or are considering offering financial wellbeing support.

59% of customers do not feel positive about their financial situation

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What percentage of customers still do little or no retirement planning?

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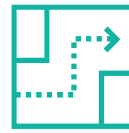
Where is the customer experience of tomorrow moving towards?

Customer experience will look different based on the complexity of needs, and have unique offerings relative to the underlying wealth, health or life products

Three core tenets of the future experience are:



Personalisation based on customer's life stage or situation.



Relevant planning and guidance with access to appropriate advice channels.



Ease of access to information and limited manual data entry or use of forms.

Innovative experiences redefine the meaningful capabilities across key moments of the journey.

What innovative companies provide...

Step-by-step instructions across channels	Recommended solutions based on individual needs	Plain-language support and intuitive UX design	Data-led customer interactions	Straight through processing and automated approvals	Relevant product offerings that are easy to navigate
					

Implications for key moments of the customer journey...

Enrollment

- Relevant information on coverage provided simply and concisely
- Product selection tied to life stage (as applicable)
- Clarity on where to find information within the portal
- Digital first enrollment & re-enrollment
- Easy to understand options and make selections

Engagement

- Information presented visually and concisely
- Simplicity in finding tools, calculators, or relevant services
- Hyper personalization based on preferences and past behaviours
- Timely notifications

Transition

- Engaging experience that builds customer loyalty and increases likelihood of maintaining service after departing employer
- Elimination of expired or conflicting plans for members previously with other employers

With shifting engagement models and product distribution, a technology ecosystem strategy is becoming more prevalent

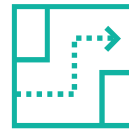
In an increasingly technological world, financial institutions are turning to an ecosystem approach to provide a full service offering to their customers

Key components of this offering are:



Flexibility of products

The increasing diversity of technology options available means that platforms need to be flexible in order to respond to the latest product and distribution innovations in the market



Operational Efficiency

Technologies such as automation (RPAs and IAs) are now a critical component in delivering operational efficiency for businesses and their customers



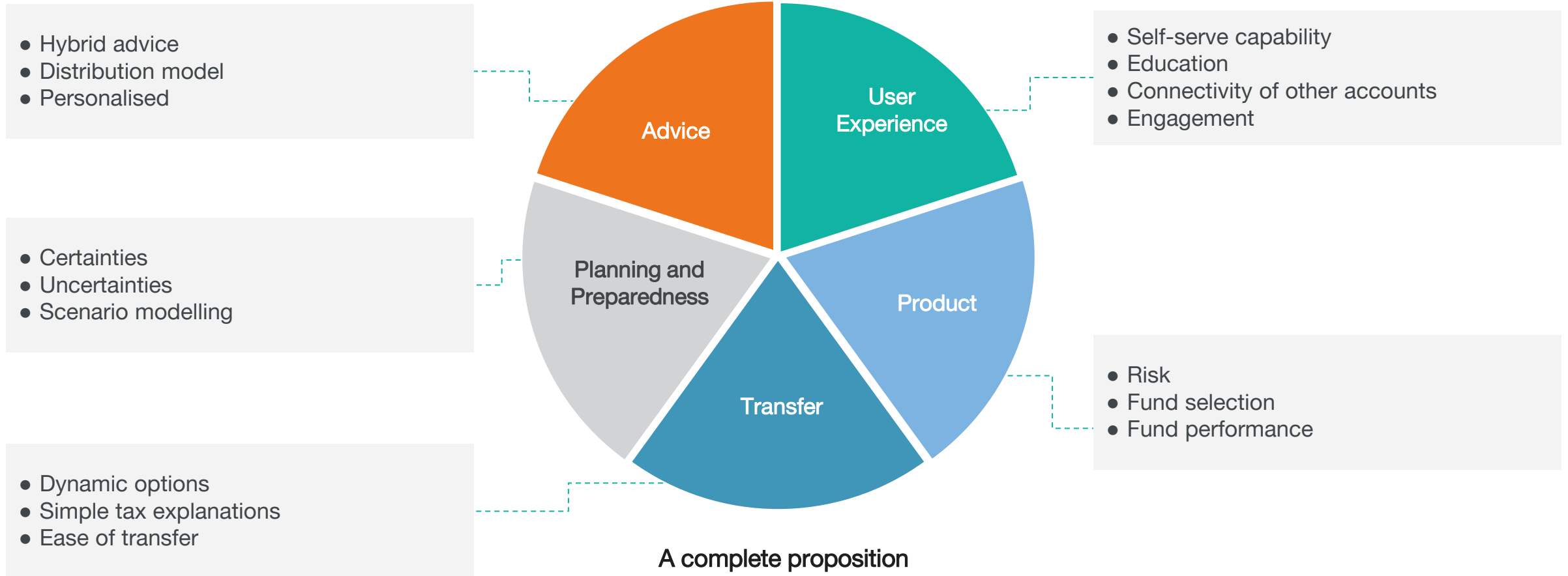
Optichannel Experience

The breadth of technology available means customers expect to receive an integrated and cohesive experience no matter the platform or channel they interact through

Implications for insurers



The user experience, complemented by advice, is a key component that providers must deliver



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Which component is the most important for companies to invest in?

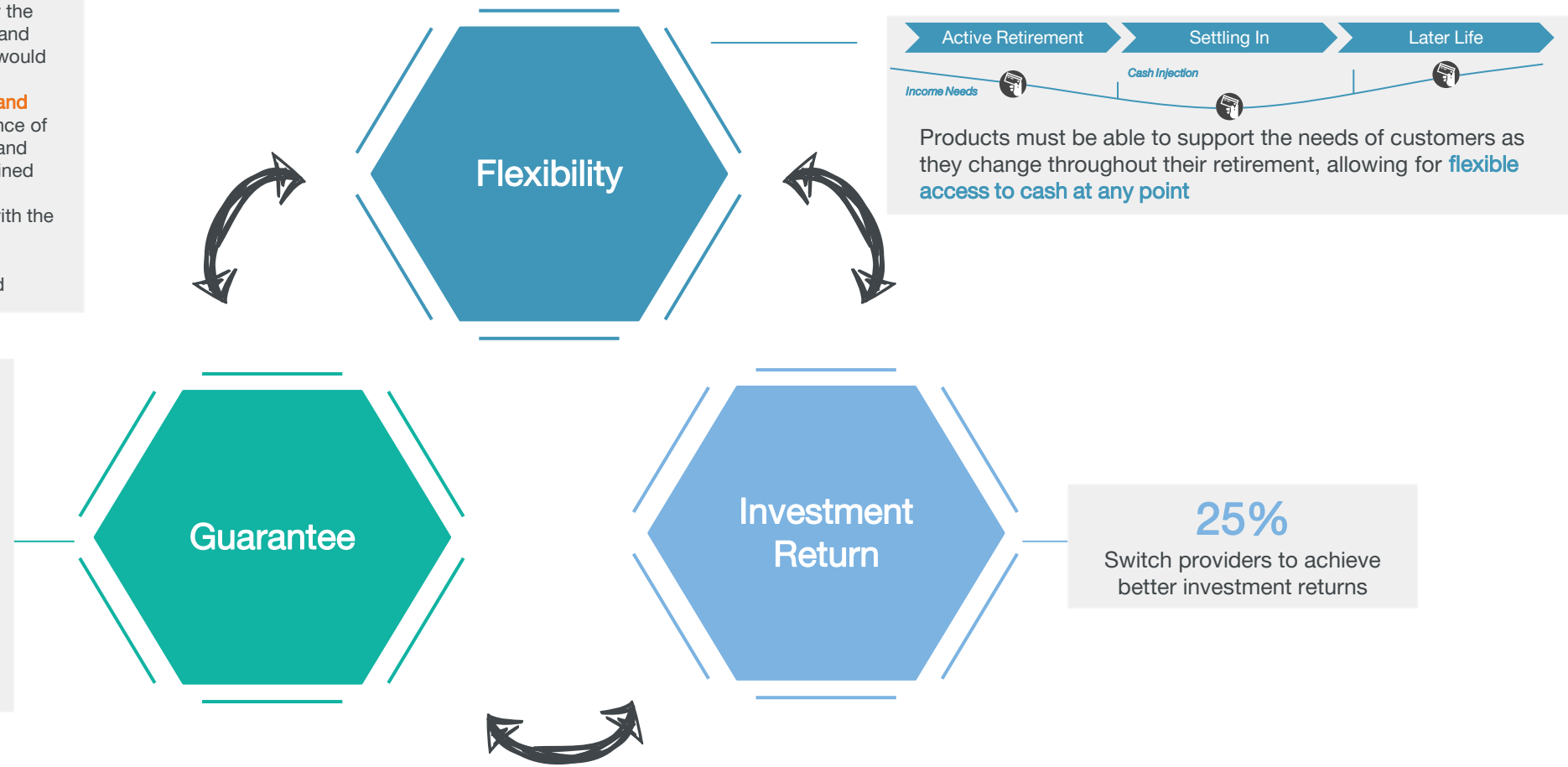
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Products ought to appropriately solve for customer needs as they change during retirement

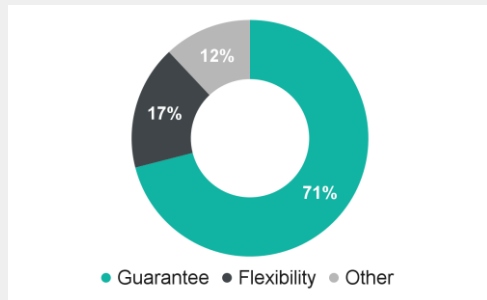
Key product themes

- The decumulation market is currently plagued by the **paradox of choice**. Simplifying existing products and creating new products to meet customer needs would reduce complexity.
- Pension providers who offer **simpler, lower-cost and accessible products** will benefit from the confluence of changes across regulation, customer behaviour and digital adoption, and are more likely to see sustained growth in the future
- Customers need access to their savings in line with the changing **need for income across their retirement stages, reflecting the 'Retirement Smile'** whilst providing access to cash injections when needed

Three pillars of customer product needs

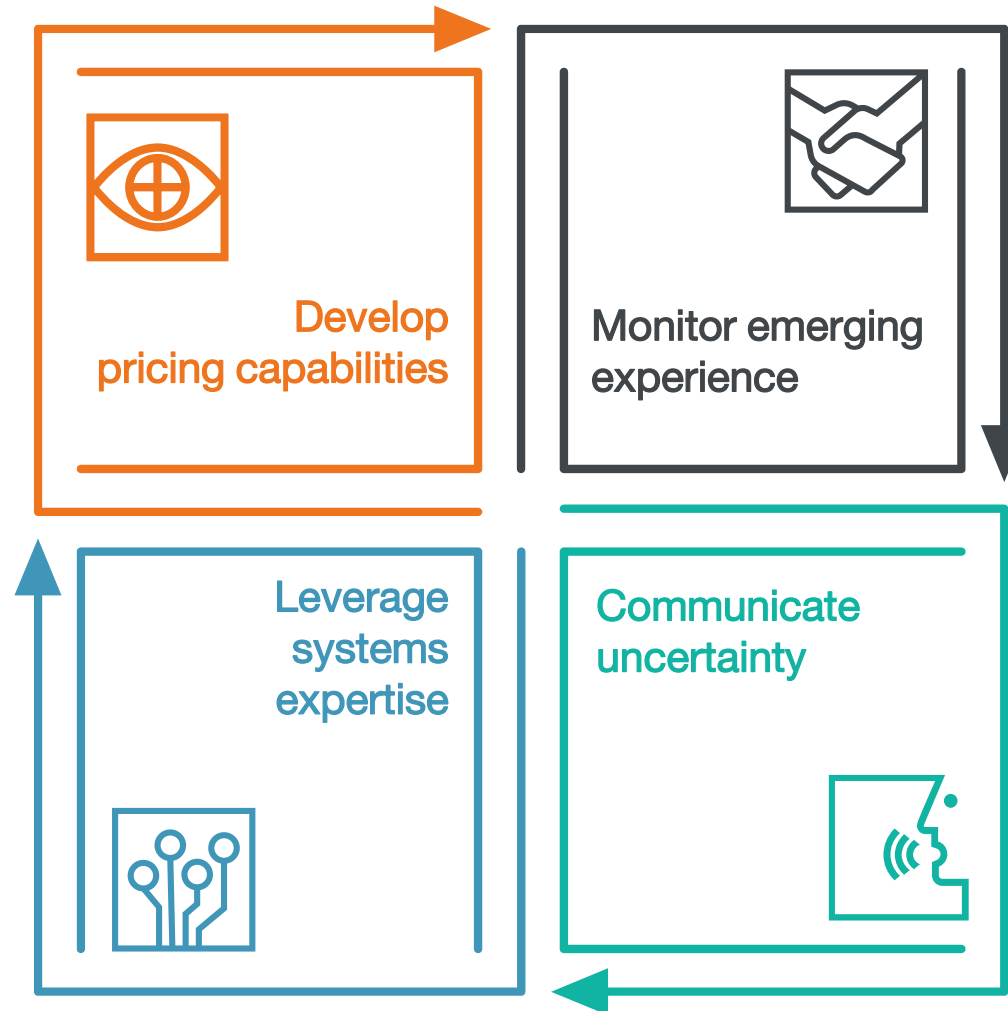


Preferred approach when taking money from their pension



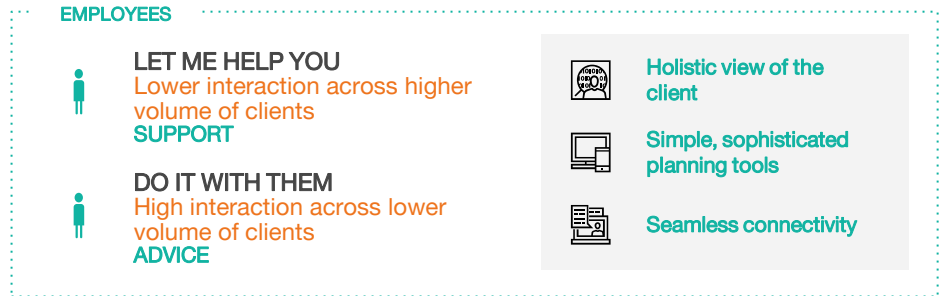
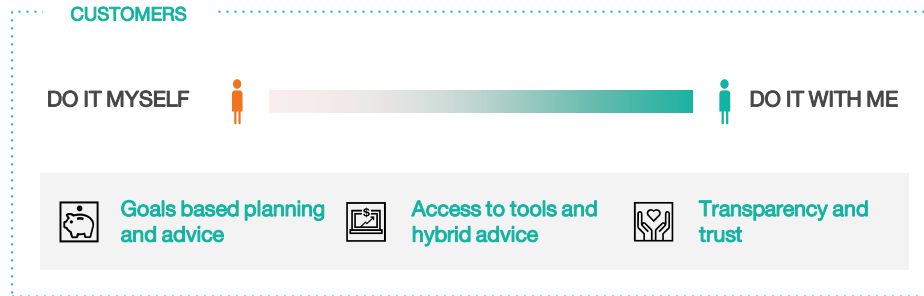
25%
Switch providers to achieve better investment returns

Actuaries can help!

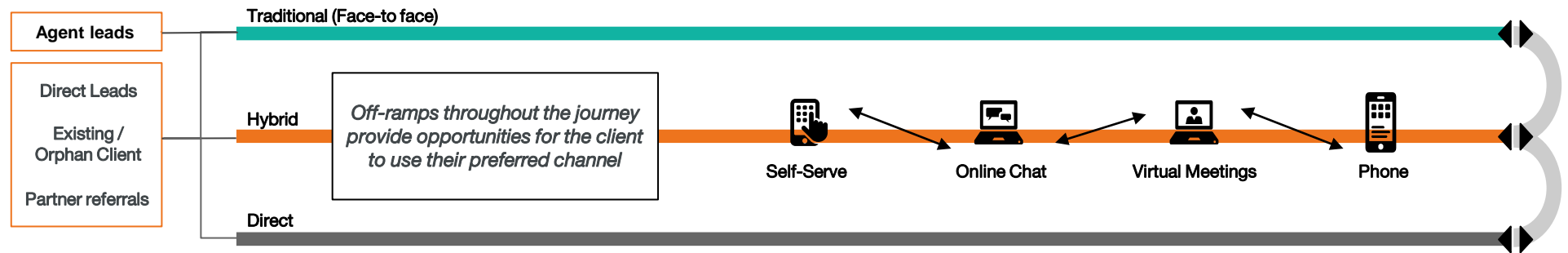


Revamped advice models are needed to meet the changing needs of customers as they go through their journey

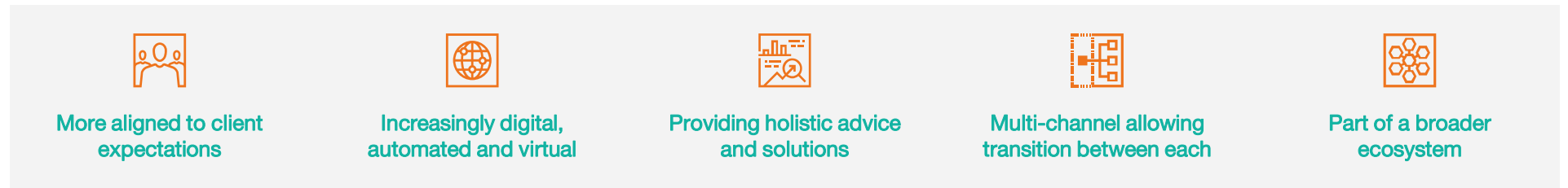
Customers have **evolving expectations and behavioural preferences** that pension providers will need to address to better meet client needs.



Distribution models must **continue to adapt** to provide customers with access to a broader set of digital capabilities, more comprehensive advice and choice, while helping to improve productivity.



Providers need to implement new characteristics of a **future distribution model**.



We believe that the next generation proposition needs to include these core customer experiences

Integrated banking and wealth

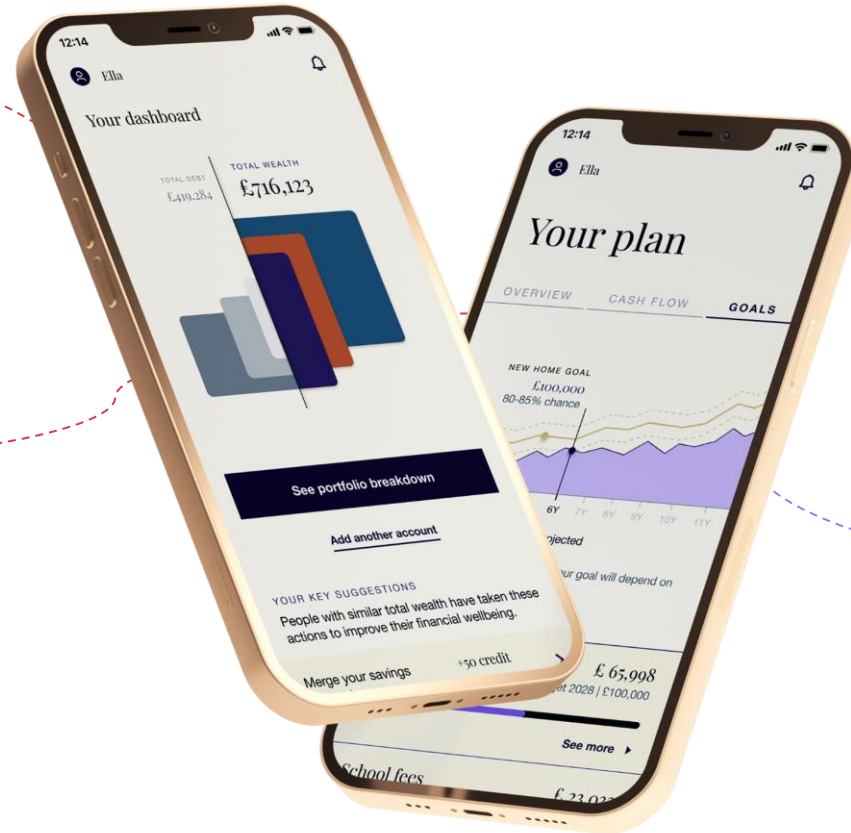
Seamless onboarding for a single view of wealth and banking, enabled through Open Finance

- ✓ Account linking
- ✓ Integrated dashboard
- ✓ Wealth breakdown
- ✓ Family view of finances
- ✓ Spend categorisation

Advice, coaching and education

On-demand coaching and human advice supported by personalised learning, surfaced at the right time

- ✓ Adviser matching
- ✓ On-demand coaching
- ✓ Human advice
- ✓ Personalised learning
- ✓ Product marketplace



Personalised insights and products

Tailored insights and product suggestions based on customers' financial needs, data and preferences

- ✓ Money nudges
- ✓ Premium products
- ✓ Curated investment portfolios
- ✓ Simple investing
- ✓ Gamification options

Enabled by:

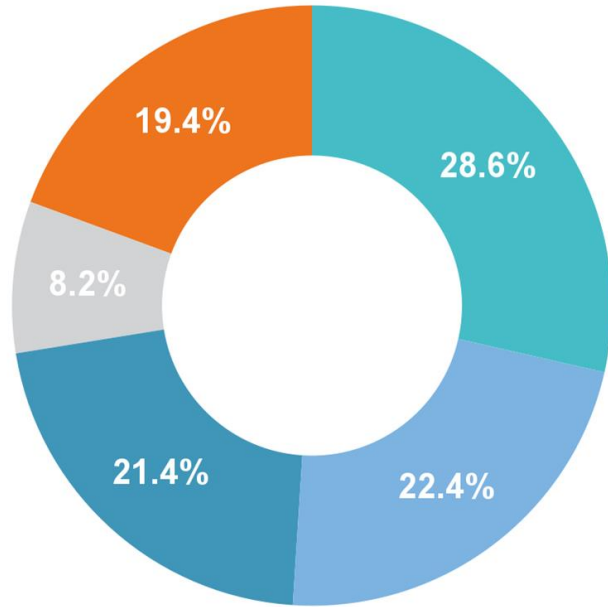
Data analytics engine

Proprietary segmentation model surfacing customer appetite, propensities and needs to drive intelligent experiences for users

- ✓ Next best actions
- ✓ People like you insights
- ✓ Machine-learning segmentation
- ✓ Personal data control

Could AI be part of the answer?

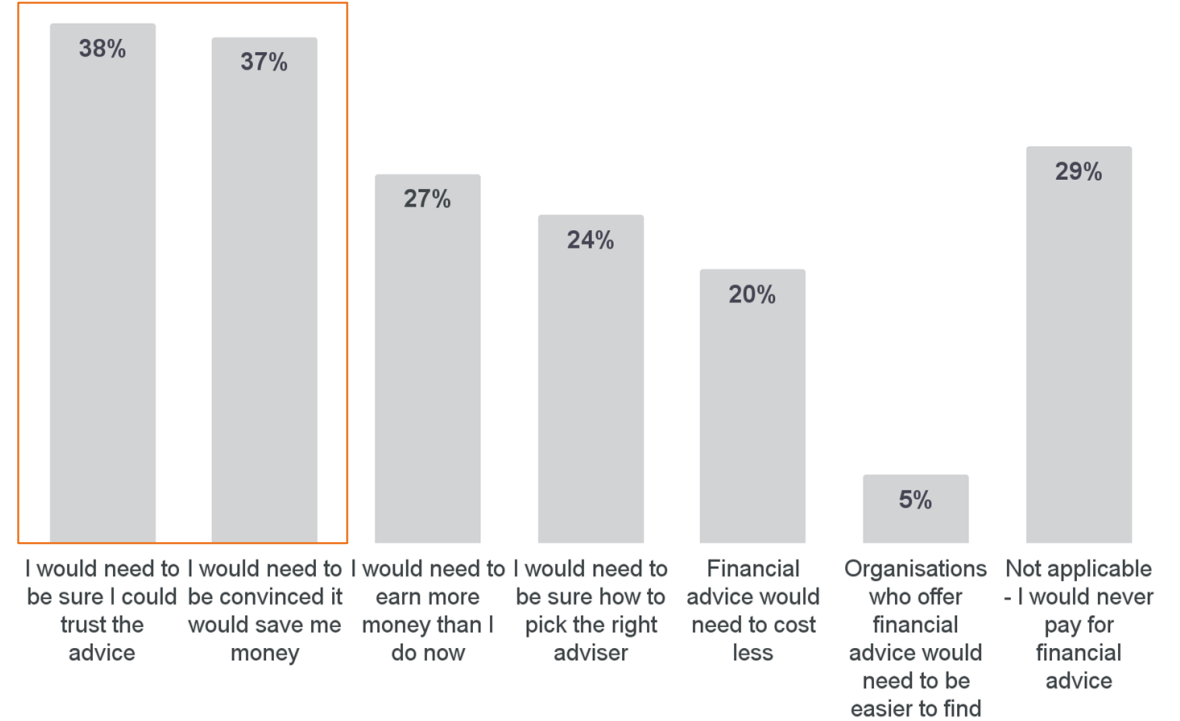
How much more or less likely are you to trust a robo-adviser compared to a traditional financial adviser?



- A little less likely
- A lot less likely
- No difference
- A little more likely
- Don't know

- 50% of respondents are either **less likely** to trust robo-advice

What would make you pay for financial advice?



- Trust is the main motive for people to pay for financial advice

Summary



What next for life insurance?



- Customers face unprecedented challenges with saving enough for retirement and gaining adequate protection
- Product innovation is required to better meet customers' needs (e.g. balancing guaranteed income with market upside)
- Finding more effective (and cost-effective) methods to advising customers about the use and benefits of solutions will be key



- Customer offerings need to be customisable based on life stage and situation
- Customers will increasingly expect seamless technology experience with integrated and cohesive solutions
- Bridging the advice gap through relevant information and guidance, and redesigned hybrid models, can improve retention and uncover new market segments



- Increasing flexibility of products will present challenges
- Being able to monitor experience end to end with the right data and systems will be important
- Using AI in the advice process could help, but the risks of doing so need to be understood and managed



Questions



Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged

The views expressed in this presentation are those of the presenter



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Thank you

