



Accelerated Digitization

Driving an Industry in Transition



THE EMERGING TECHNOLOGY SERIES



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Driving an Industry in Transition

PROJECT TEAM

LL GLOBAL

Patrick Leary

Corporate Vice President

Kartik Sakthivel

Vice President and Chief Information Officer

MCKINSEY & COMPANY

Rahil Jogani

Partner

Sanjay Kaniyar

Partner

About the Emerging Technologies Executive Task Force

In 2020, LL Global — in support of how our industry was pivoting to meet the time of crisis and the need for vast change — launched an initiative to engage and connect C-suite leaders in new ways. Core to this effort was the formation of several executive task forces focused on particularly pressing issues identified in the current environment — one of which is emerging technologies.

We created the Emerging Technologies Executive Task Force, with McKinsey & Company as a valued consultancy partner, to reflect a cross-section of industry perspectives. The group represents current and former LL Global Board members and is supported by LIMRA subject-matter experts. At a high level, the goal of this team is to gauge the different emerging and available technologies, as well as to assess which might provide the greatest opportunity for efficiency and/or disruption.

To begin, the task force created workstreams to prioritize three key areas:

- **Data and Analytics:**

This group's goal is to take a deeper view of artificial intelligence (AI), focusing on the foundational underpinnings of AI applications. Its work is intended to help surface deep insights on data strategy and data talent, as well as the core precursors needed to move AI projects forward.

- **Accelerated Digitization:**

This work addresses the move away from the traditional industry paradigm (where business is built around mortality, morbidity, and the functions of insurance) to pivot toward the human experience (HX). HX is the sum of customer experience and employee experience — building a digital experience where technology takes center stage in creating new models of success.

- **Platform Modernization:**

This team focuses on ways to tackle a pervasive, ongoing industry challenge. Whether companies decide to replace legacy systems or attempt to modernize them, it is critical to have industry best practices for executing on this monumental task.

For each of these workstreams, a dedicated subcommittee of financial services technology leaders is focusing on efforts that result in valuable insight and deliverables. Their research findings and additional outreach will help the industry benchmark the current landscape, identify and create new solutions, and formulate next steps.

We extend our sincere gratitude to the members of the task force and subcommittees. Without their dedication and commitment, this important work — by and for the industry — would not be possible.

Emerging Technologies Executive Task Force

Brandon Carter, *Chair*
USAA Life

Chris Behling
Swiss Re Life & Health
America, Inc.

Jonathan Bennett
The Hartford

Mike DeKoning
Allstate

Mike Doughty
Manulife

Michael Fanning
MassMutual

Scott Goldberg
CNO Financial
Group, Inc.

Eric Henderson
Nationwide

Joe Monk
State Farm

Deanna Strable
Principal Financial
Group

Ramy Tardos
MetLife

Wes Thompson
M Financial

Doyle Williams
Protective Life

Accelerated Digitization Subcommittee

Chris Behling
Swiss Re Life & Health
America, Inc.

Nadia deVilla
Manulife

Whitney Ice
CNO Financial Group, Inc.

Deana Lauria
COUNTRY Financial

Brandy McNalis
COUNTRY Financial

David McWilliams
USAA Life

David Michell
Nationwide

Donna Morgan
Allstate Benefits

Kim Pfiffner
Principal Financial
Group

Andy Wieduwilt
State Farm

Introduction

No other event in recent memory has had such a fundamental impact on the economy and the insurance and financial services industry as the coronavirus pandemic. It required companies around the globe and across all sectors to alter their business models — and forced consumers to adapt to pervasive changes in daily living.

In many ways, the pandemic accelerated trends already underway, particularly those related to digital transformation. As we collectively move forward, technology plays a critical role in helping society transition to a post-COVID-19 world.

This rapid change did not instantly begin when the COVID-19 crisis hit. The industry had already been experiencing a significant and unrelenting technological transformation over the past five years. In fact, for most organizations, digital evolution had lessened its accelerated pace from when it first began. What the pandemic *did do*, though, was “disrupt the disruption” that was occurring via these massive and ongoing initiatives. Almost overnight shifts to serving fully remote workforces and offering completely contactless experiences created urgent priorities for IT teams to address.

Many companies expedited their digital efforts, not only to address these immediate business continuity needs, but also to realign their go-to-market strategies. At the same time, consumers became more proficient with digital communication and engagement.

The pandemic likewise highlighted the relevance and importance of the products and services offered by insurance and financial services organizations.

Consumers acknowledged and expressed the need for life and health insurance, while, at the same time, they demonstrated a greater sensitivity and appreciation for their overall health and well-being.

Our industry has successfully focused its business model around mortality — it drives everything. However, current realities make it apparent that the future of the industry must incorporate a focus on *wellness*. For all stakeholders, the pandemic has not only raised awareness of and demand for traditional life insurance and related protection, it has also surfaced the need for an engaging digital experience that considers the holistic well-being of the consumer.

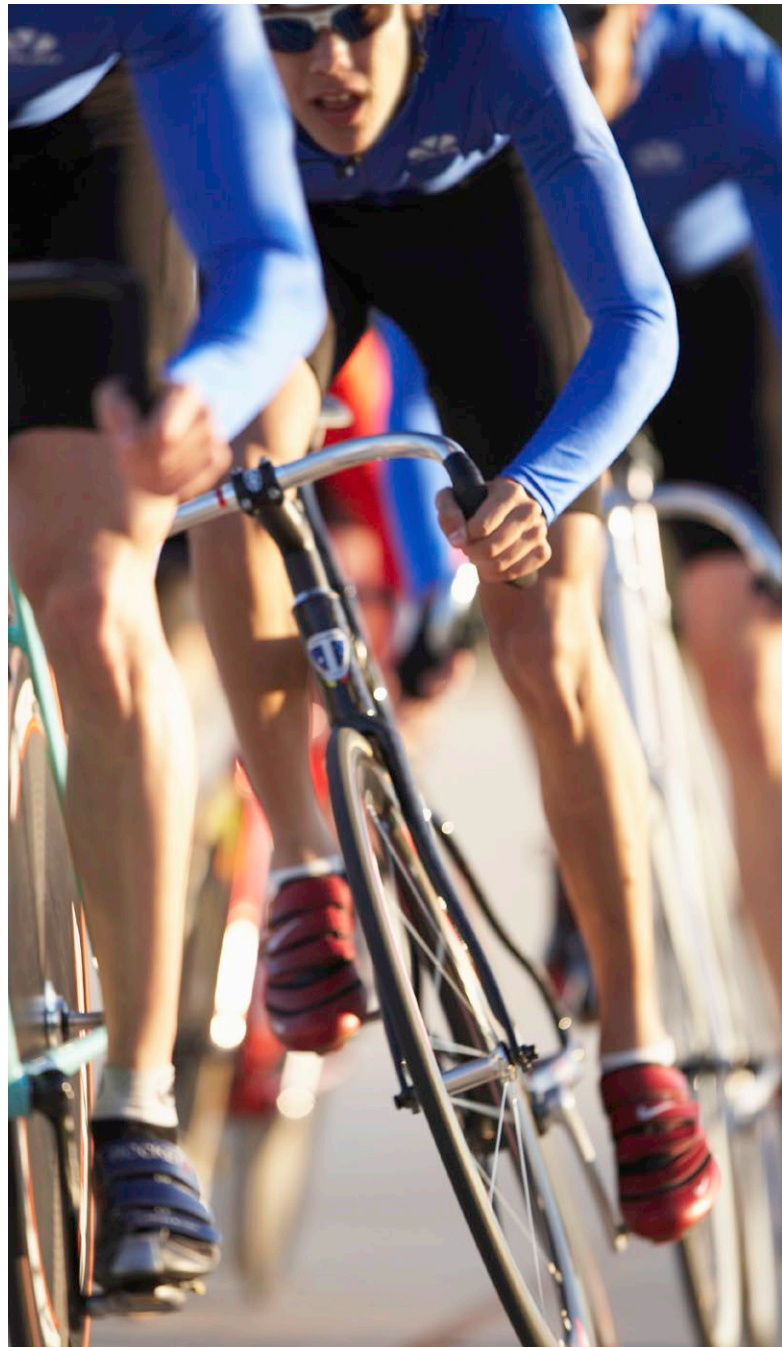
This approach will require a comprehensive understanding of the consumer, an enhanced and “human” customer experience, and “hyper-personalization” of sales and service. For companies to fully realize this potential, technology and digital themes will take center stage in creating new models of success. How will this transformation impact marketing, underwriting, distribution, and other functions across insurers and other organizations?

To explore these issues, LIMRA and McKinsey & Company surveyed North American financial services organizations to learn how they are transforming their businesses to adapt to changing realities and position themselves for future growth. This paper shares the primary considerations that emerge from this research and thematically integrates broader issues identified in the technology landscape, such as those related to platform modernization and data and analytics.

Key Findings and Insights

To be successful, organizations must embrace a digital mindset that requires as much a cultural shift as a technology shift. This research identifies five core themes that can guide the industry along the journey:

- 1** Companies must align product and service offerings with an increasingly digital consumer and capitalize on new opportunities resulting from changing priorities.
- 2** A digital-first strategy will drive multidimensional value and support broader organizational goals — which will attain desired outcomes and position organizations for future success.
- 3** Organizations need to keep humans at the core in order to deliver exceptional digital experiences. Customer experience and employee experience are two sides of the same coin.
- 4** Leaders must embrace and “institutionalize” operational changes implemented during the pandemic that have resulted in positive outcomes for their organizations. They need to be vigilant and resist the urge to return to pre-pandemic practices.
- 5** Digital acceleration will require companies to assess their priorities and strike the right balance between addressing the “anvil” of legacy systems and investing in innovation. Resource constraints will present challenges.



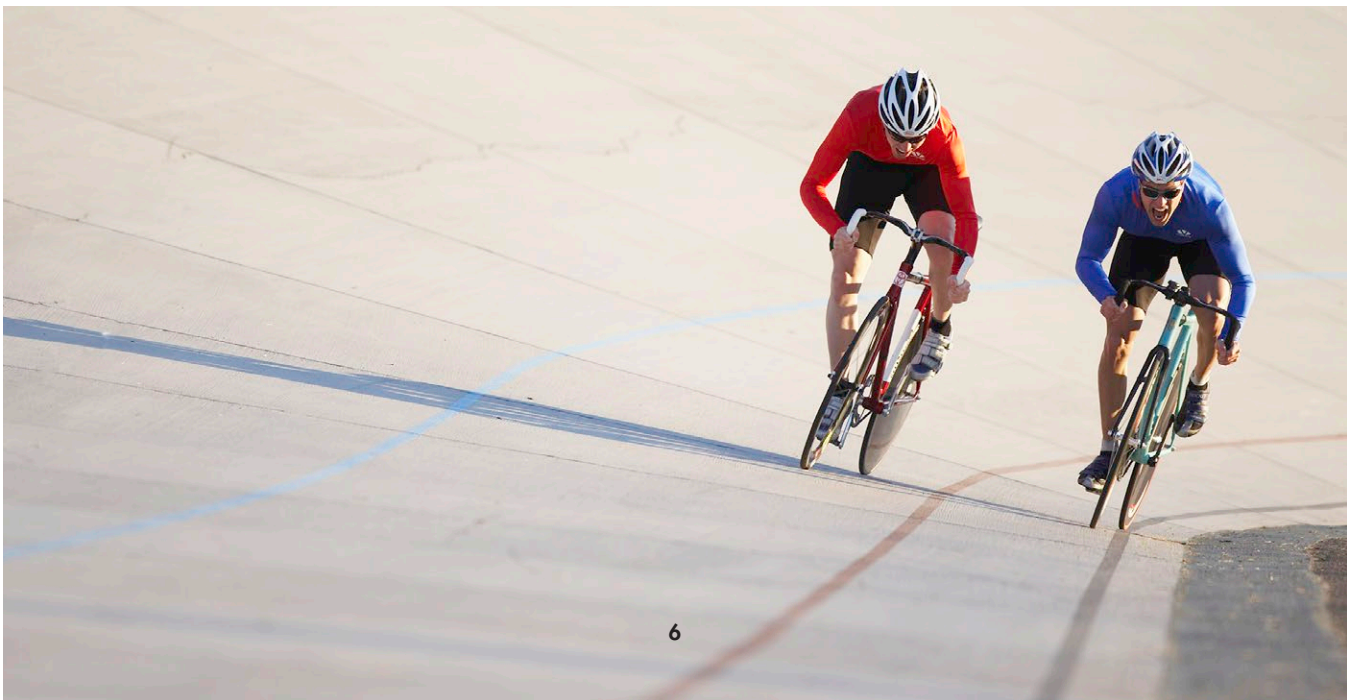
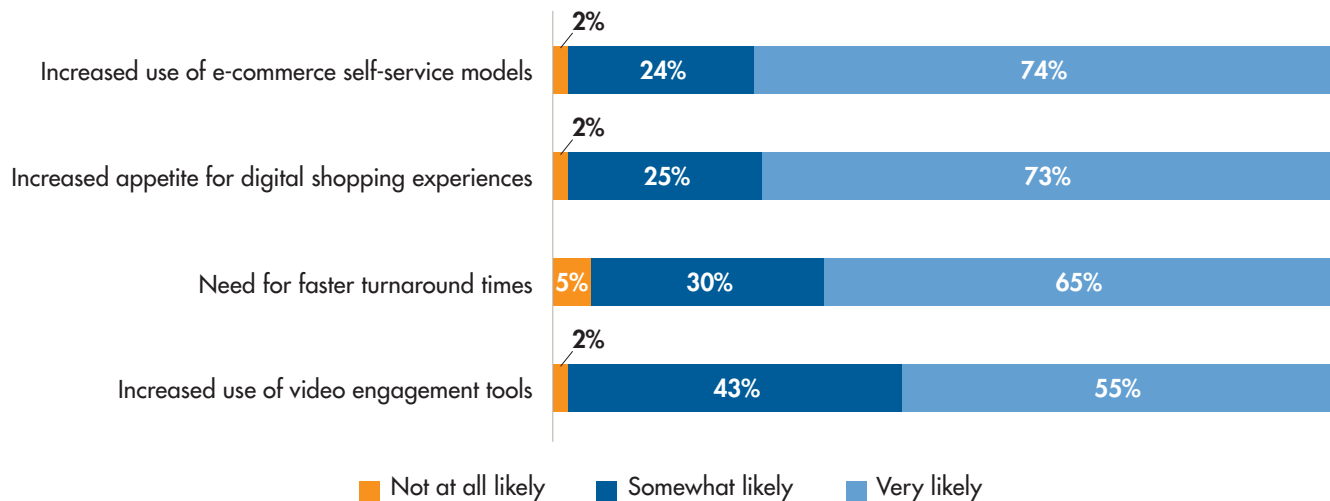
1 Companies must align product and service offerings with an increasingly digital consumer and capitalize on new opportunities resulting from changing priorities.

To be successful, organizations must operate with the end in mind, effectively connecting with consumers to educate them and drive purchase behavior. Many changes in consumer behavior that occurred during the pandemic will remain when it subsides. This is especially true of the use of technology and digital engagement. While “innovators” and “early adopters”

had already embraced many of these practices, those who had been more resistant were suddenly forced to use digital technologies in many aspects of their daily lives. Many feel that the appetite for digital shopping experiences will remain and that consumers will continue to use e-commerce and video engagement tools post-pandemic (Figure 1).

FIGURE 1

Likelihood of Changes in Consumer Behavior Becoming the “New Normal” Post-Pandemic (Percent of Respondents)

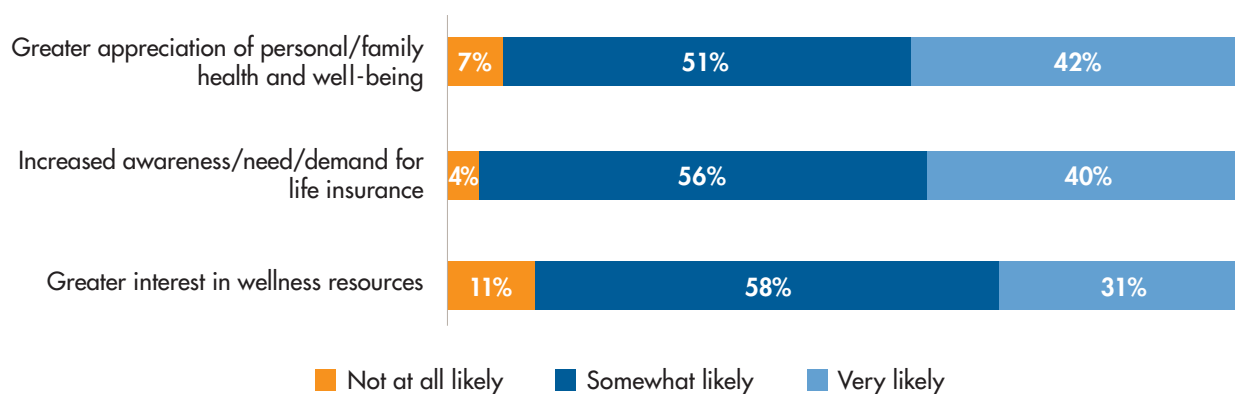


Not only are consumer behaviors and expectations changing, but their insurance and financial services needs are changing as well. The pandemic has raised people's awareness of their own mortality and well-being, and many respondents believe this paradigm shift will remain (Figure 2).

Recent LIMRA research showed that the COVID-19 pandemic heightened consumers' sensitivity to the need for insurance and related protection products. In October 2020, 73 percent of consumers said they had a greater need for adequate health insurance, while 57 percent said the same for adequate life insurance.¹ The pandemic has also driven an increased need for mental health and related services. In fact, 51 percent of U.S. adults reported that their mental health has been negatively impacted due to worry and stress over the coronavirus.²

FIGURE 2

**Likelihood of Changes in Consumer Attitudes and Views
Becoming the "New Normal" Post-Pandemic**
(Percent of Respondents)



IMPLICATIONS

- Direct-to-consumer and other forms of online distribution will play growing roles in how consumers learn about, purchase, and use insurance and related products and services. Organizations can leverage these approaches to inform business decisions, create data-driven solutions, and drive better outcomes.
- The workplace benefits business model will evolve, as employers and employees look to address changing needs in a new world of work. Employees will embrace new ways to learn about, enroll, and use their benefits.
- While face-to-face channels will continue to thrive, they will become more digital in nature, as advisors use digital tools to seamlessly source, service, and engage with clients.

¹ *Consumer Sentiment in the Time of COVID-19 (October 2020)*, LIMRA, 2020.

² KFF, KFF Health Tracking Poll, Kaiser Family Foundation, December 2020, <https://www.kff.org/coronavirus-covid-19/report/kff-health-tracking-poll-december-2020/>.

2 A digital-first strategy will drive multidimensional value and support broader organizational goals — which will attain desired outcomes and position organizations for future success.

Companies can implement digital solutions across a number of areas. Key touchpoints across the functions of insurance include:

- Marketing (e.g., individualized marketing materials and decision support tools)
- Sales and distribution (e.g., practice management tools, virtual sales capabilities, customized product design processes, and digital quoting)
- New business processing (e.g., digital application, e-signature, underwriting, and e-delivery)
- Engagement and servicing (e.g., digital policy/contract maintenance, billing and payment, website “click-to-chat” or chatbot capabilities, and health and wellness engagement platforms)
- Claims (e.g., electronic claims submission, follow ups, adjudication, and digital claims payments)

While there are some exceptions, for the most part, companies as a whole have not yet scaled their digitization efforts in these areas. More often, they have piloted or targeted certain activities in specific parts of their organizations. So, while companies have advanced most in digital applications related to new business processing, e-signature capabilities and digital applications are the only initiatives where more than half of respondents indicate their companies are at scale (Figure 3). There is less progress in areas including website “click to chat” features, health and wellness platforms, claims adjudication, and customized product design processes (Figure 4). (See the Appendix for a full list of digital initiatives and companies’ progress.)

FIGURE 3

Degree of Digitization: Most Progress (Percent of Respondents)

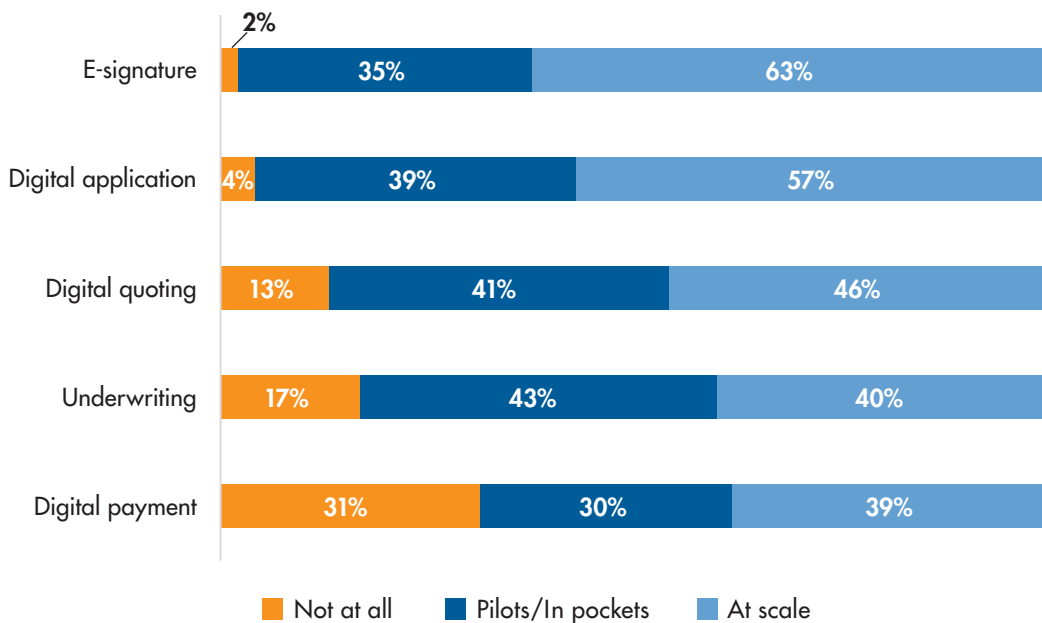
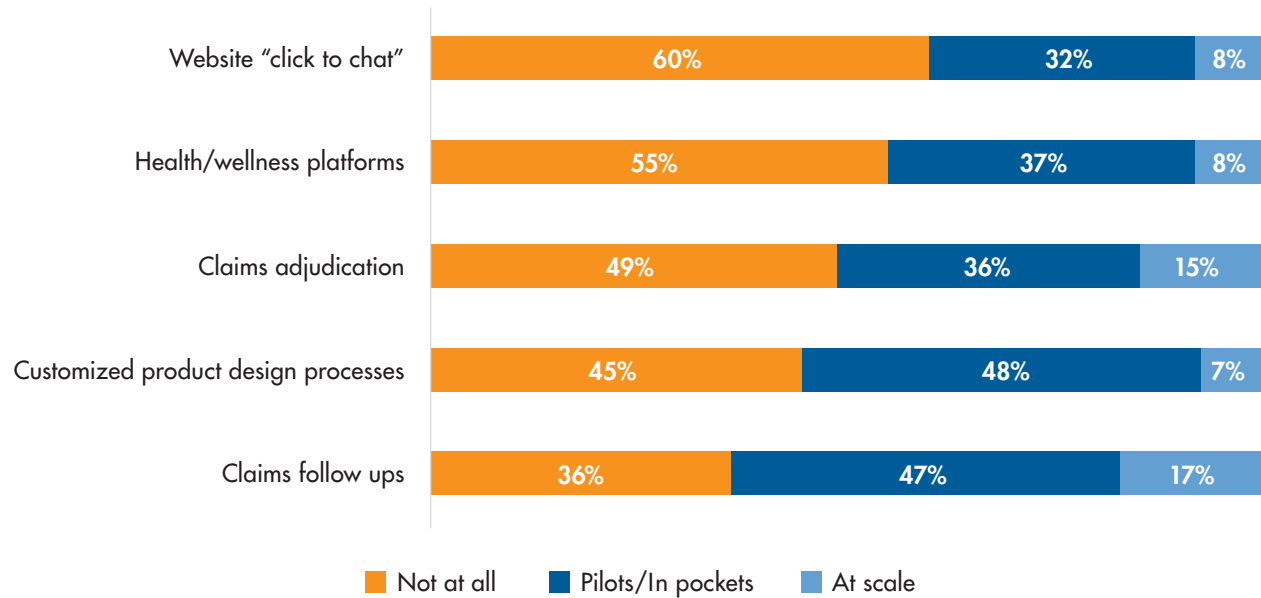


FIGURE 4

Degree of Digitization: Least Progress (Percent of Respondents)



While the general lack of progress may seem discouraging, it could be advantageous. The new digital ecosystem requires a reimagining of the digital journey and an investment in new ways of thinking. A digitally savvy, demanding customer base requires a hyper-personalization of the sales and service process and a focus on customer experience. This new view of the customer — coupled with new attention on wellness solutions — will obligate companies to invest appropriately to align with new client needs and means of engagement. While companies in general are not at scale across many areas of potential digitization, they are investing more to digitize at critical customer touchpoints.

The areas where companies are increasing their digital investments over the next 12 months include:

- Virtual sales capabilities for agents and brokers (72 percent)
- Client decision support tools (64 percent)
- Digital applications (69 percent)
- E-delivery (63 percent)
- Underwriting (60 percent)
- Advisor/broker practice management tools (56 percent)

The impact of digital solutions is undeniable and can vary considerably across digital touchpoints (in marketing, sales and distribution, new business, customer engagement, and claims) and even within distinct areas. Implementing these solutions can result in a number of desired outcomes, including:

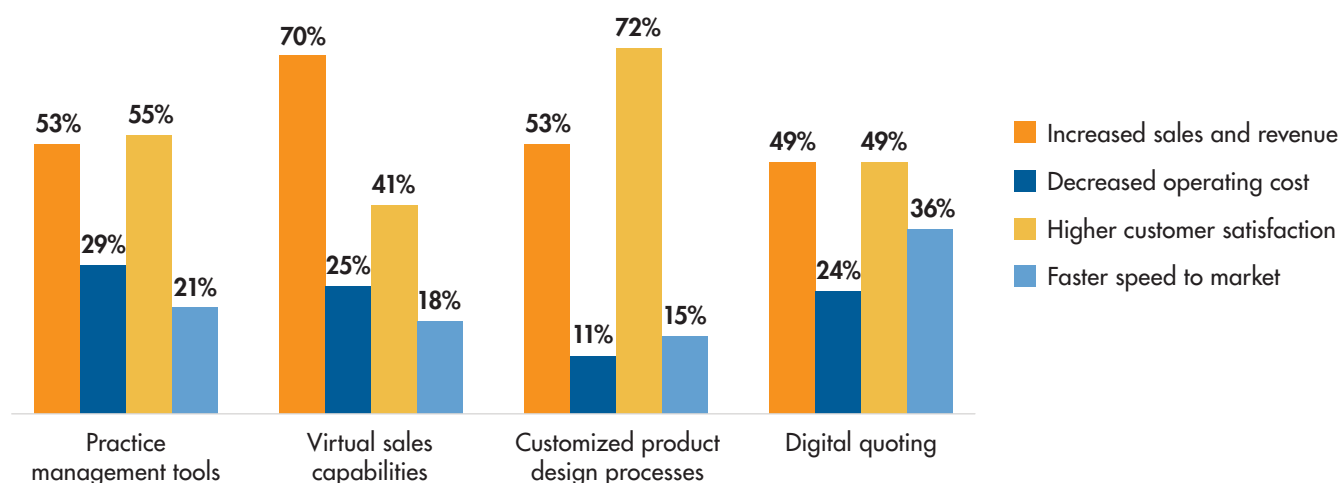
- Higher sales or revenue
- Lower operating costs
- Increased customer satisfaction
- Faster speed-to-market

In one view, companies that have implemented digital solutions related to sales and distribution generally find that these initiatives have the greatest impact on sales and revenue and customer satisfaction (Figure 5).

Certain initiatives are more effective in achieving specific outcomes. For example, 7 in 10 respondents reported that implementing virtual sales capabilities for their sales forces resulted in higher sales and revenue; fewer respondents believed other initiatives are as effective in achieving this result. Other digital initiatives proved most effective in driving other outcomes. As such, companies can align digital initiatives to target certain objectives they hope to achieve.

FIGURE 5

Digitization Impact: Sales and Distribution (Percent of Respondents)



Base: respondents indicating their companies had activity with each initiative (i.e., in pilots/pockets or at scale)

IMPLICATIONS

- Many companies are not at scale in many areas across the functions of insurance. Organizations risk falling behind, as leading-edge companies that align customer needs with digital solutions will differentiate themselves in the post-pandemic marketplace.
- To be successful, companies must not just retool, but also reimagine, their digital strategies in light of overall organizational objectives. Digitization can improve both sides of the accounting equation (revenue and cost), improve customer engagement, and position them for profitable growth.
- Digitization can drive efficiency and effectiveness, increasing speed-to-market and providing a more satisfying customer experience. Organizations need to decide which “levers to pull” that align with company strategy and create competitive advantage.

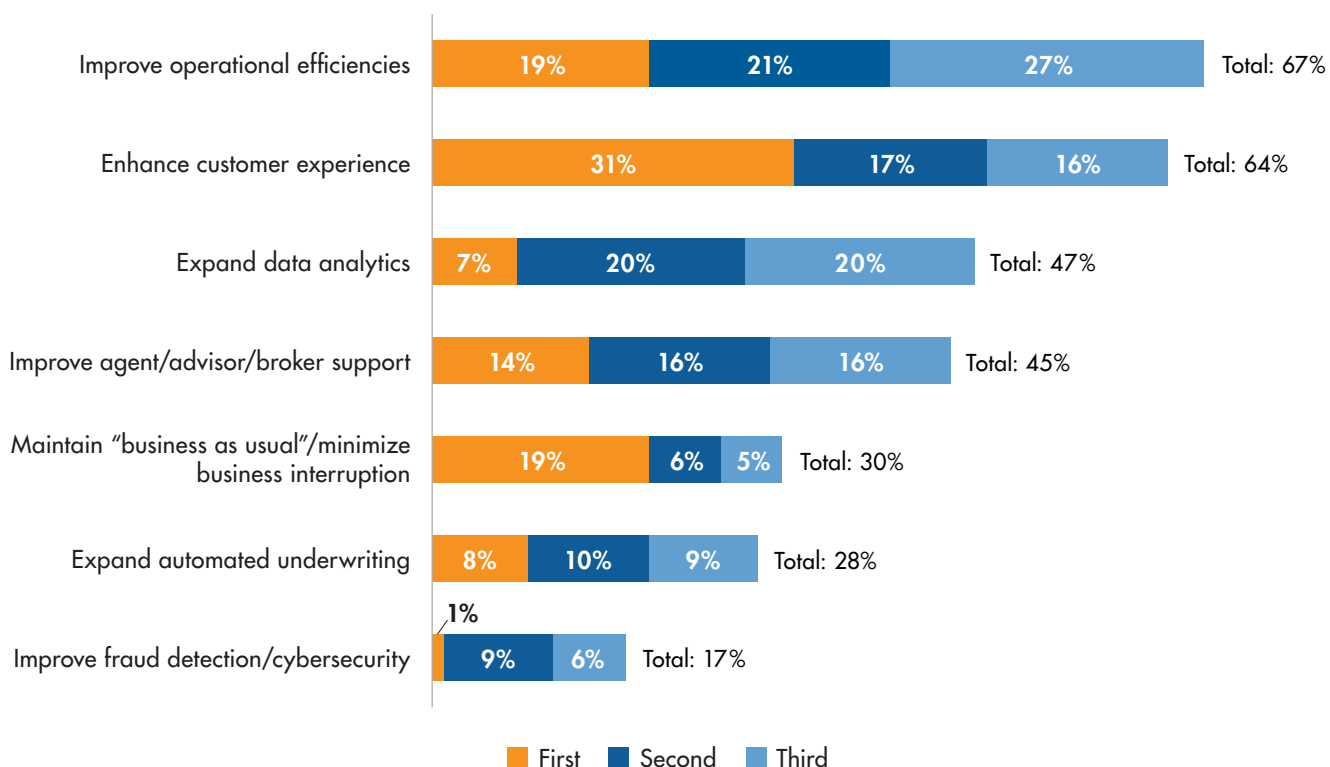
3 Organizations need to keep humans at the core in order to deliver exceptional digital experiences. Customer experience and employee experience are two sides of the same coin.

While technology and digital themes will take center stage in creating new models of success, it is the human element that will provide differentiation and competitive advantage. A holistic view that incorporates the customer experience and the employee experience will result in a comprehensive understanding of the customer, an enhanced “human” experience, and engaging digital touchpoints.

There are many indications that companies are embracing a digital, customer-focused mindset. The research reveals that “enhance customer experience” follows only “improve operational efficiencies” as current information technology organizational priorities in light of the pandemic (Figure 6). Thirty-one percent of respondents cited “enhance customer experience” as the top priority. Despite resource constraints, an overwhelming majority of respondents said their companies are investing at either the same level — or more — across the landscape of digital touchpoints over the next 12 months; few indicated lower levels of investment.

FIGURE 6

IT Priorities, Given the Pandemic (Percent of Respondents)



However, organizations are confronted by the realities of today's business environment and organizational challenges as they strive to improve their employee experience. While few respondents cited "lack of skills/talent" as a primary obstacle faced in implementing digital solutions, it does emerge as an underlying concern in many areas. The pandemic has forced some companies to cross-train staff or reskill their workforce in order to adapt. These companies will reap benefits from these efforts post-pandemic. For now, organizations are able to upskill existing talent or acquire the talent they need to succeed.

However, as companies across all industries become more digital, the competition for digital talent will become increasingly fierce. Financial services companies will find themselves competing for talent with industries that may not have been competitors in the past. To be successful in the digital journey, organizations must embrace new ways of thinking about digitization and the critical roles that organizational dynamics play in digital transformation strategies.

Organizations will continue to look to their IT departments to significantly reduce operating expenses. This would likely take the form of extensive and broad digital automation efforts across companies. Organizations also will want their IT partners to help them boost speed to market for existing products — such as adding new features, functionalities, and capabilities into products that exist in the marketplace. Companies continue to look to their technology providers for robust cybersecurity defenses, an area that has intensified during the pandemic and that will continue to pose major risks over the next several years. From a regulatory and compliance perspective, businesses will need IT to help reduce operational risk. Last, there will continue to be significant focus on data analytics and artificial intelligence to make data-driven decisions for internal improvements to organizational capabilities.

IMPLICATIONS

- As companies transform, so will the human resources they need to succeed. Traditional ways of sourcing and onboarding talent are evolving. Organizations must establish an engaging employee value proposition that will attract and retain the workforce of the future. Companies will be competing for talent in a different ecosystem.
- Simplicity, ease of use, ease of access, and a frictionless experience will be table stakes for the next generation of customers. The intersection of customer experience grounded in digital transformation is where companies will compete for competitive advantage.
- The human experience/human journey is the sum of the customer experience/customer journey and the employee experience/employee journey.

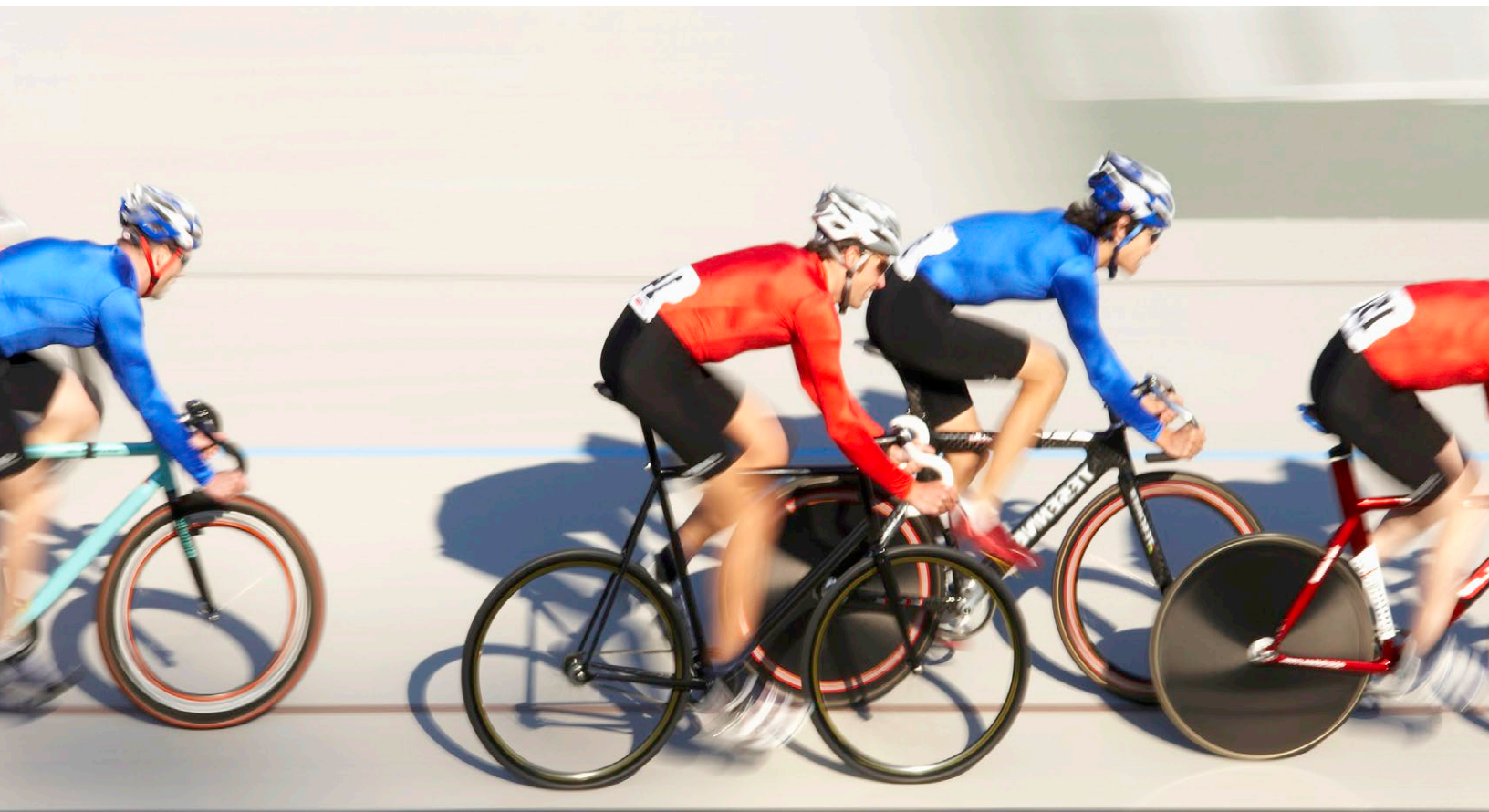
4 Leaders must embrace and “institutionalize” operational changes implemented during the pandemic that have resulted in positive outcomes for the organization. They need to be vigilant and resist the urge to return to pre-pandemic practices.

The COVID-19 pandemic triggered a massive virtualization of the industry. Companies were able to rely on the digital prowess they had been building for the past several years and virtualize their operations in record time. Business units and employees who have historically never worked from home before, or organizations that had been reluctant to adopt remote worker accommodations, were able to quickly make their employees comfortable and productive.

From an organizational perspective, companies have realized the value of frequent, enhanced, and increased communication. Many organizations implemented daily standups at all levels of leadership, including with their executive teams. These daily huddles seem to have opened up lines of communication and

facilitated rapid decision making. The “all hands on deck” mentality that has been forged due to the crisis has actually been beneficial in allowing companies to communicate clearly across all levels. Companies that have invested in agile transformation as a key pillar of their digital transformations have realized significant benefits. These are not just in fostering and nurturing this communication, which is a basic element of “agile,” but they also have been able to realize and report on productivity gains during the pandemic.

Relying on digital solutions in this process, most companies found that the pandemic accelerated their companies’ efforts toward digital transformation. Almost 8 in 10 respondents indicated their companies made



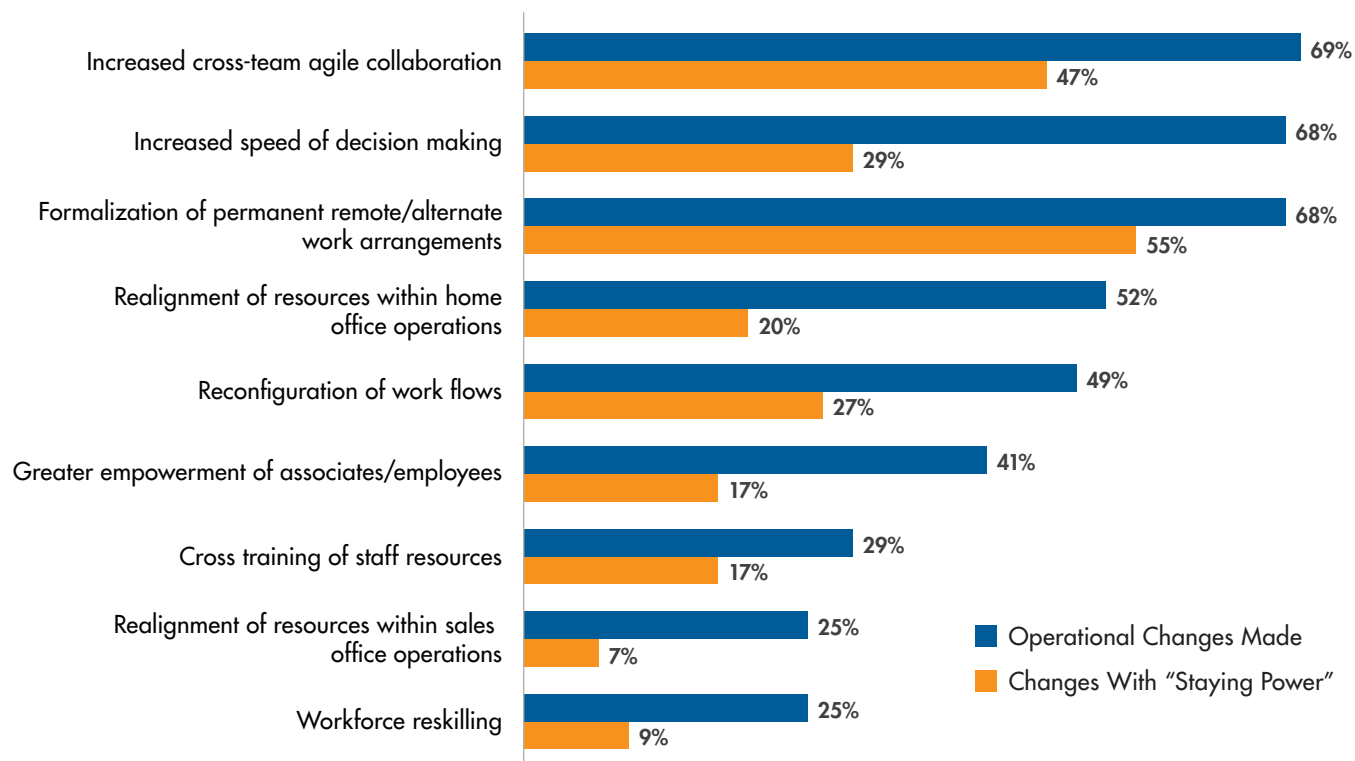
operational changes during the pandemic. Companies became more agile, improved the speed of their decision making, and discovered new best practices (Figure 7).

Despite the positive benefits that companies experience from these changes, not all feel the changes their companies have made will have “staying power.”

Instead, many believe that once the pandemic recedes, their company will return to the practices that were in place pre-pandemic. For example, while almost 7 in 10 reported that their companies increased their speed of decision making, just 29 percent of those respondents feel that practice will remain post-pandemic.

FIGURE 7

Operational Changes Made During the Pandemic (Percent of Respondents)



Base: 78 percent of respondents who indicated that their companies made operational changes as a result of the pandemic

IMPLICATIONS

- Organizations learned that assumptions about organizational structure and workflow have been challenged, with new models of operational efficiency taking their place. “Agile at scale” and other work processes will continue to gain momentum.
- Employment models will evolve as companies aim to strike a balance between the advantages of a tech-enabled, remote workforce and centralized models allowing for in-person collaboration, mentoring, and nurturing of company culture.
- New skillsets will be required to compete in a post-pandemic world, and companies will face new competition for talent across the functions of insurance. Companies will source and onboard employees in new ways.

5 Digital acceleration will require companies to assess their priorities and strike the right balance between addressing the “anvil” of legacy systems and investing in innovation. Resource constraints will present challenges.

While digital investments reap significant benefits, low interest rates, a muted economy, and competing organizational priorities challenge companies and limit where and how they can allocate resources. Those that have implemented digital solutions consistently cited two obstacles to digitization efforts: prioritization and resource availability. The burden of legacy systems is also cited as an obstacle for certain initiatives, particularly in the areas of client engagement and claims administration.

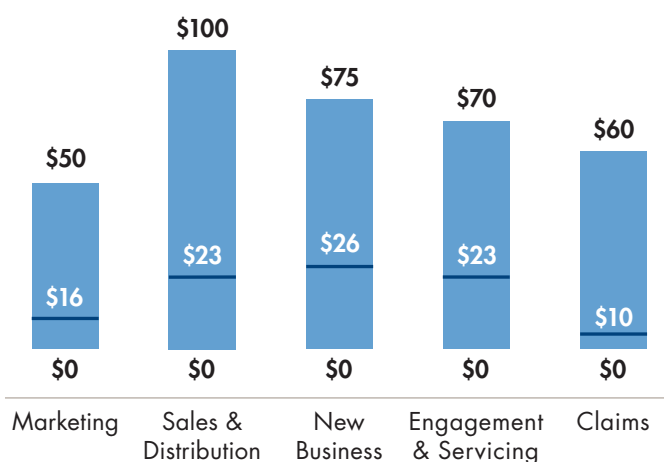
These constraints will force companies to be thoughtful about where they invest, as they need to strike a balance between day-to-day operations and investing for the future. In a perfect world, companies would invest extensively in many areas to deliver an exceptional digital customer experience. However, today’s economic realities — along with the burden of companies’ technical debt — necessitate a more nuanced approach.

When respondents were asked to allocate \$100 of digital resources among various touchpoints across the functions of insurance in order to improve the overall customer digital experience, on average, no area received more than \$26 (Figure 8). While some respondents focused on one or two areas, more

respondents spread their \$100 across different areas. As a result, digital initiatives can be at risk if not funded appropriately. Organizations must start with the customer as the one “True North” and focus on a customer’s journey, digitizing each facet and step, rather than digitizing vertically. Companies will need to decide how and where to spend in order to obtain the greatest immediate return, while positioning themselves for long-term success.

FIGURE 8

Hypothetical Allocation of \$100 of Digital Resources to Improve the Overall Digital Customer Experience (Average, Range of Responses)



IMPLICATIONS

- Organizations must upend traditional approaches around how they digitize. It is inadequate and inefficient to digitize within each silo. The vertical digitization of companies will lead to newer and more current platforms, yet fall short of providing a frictionless and seamless digital experience for users.
- Economic realities and the burden of technical debt limit organizations in the degree to which they can invest in digital initiatives. Companies must decide whether to spend less across a variety of areas, which may impede progress, or identify key enablers in the customer journey that they feel will most impact the delivery of an engaging customer experience.
- As companies modernize and align with current and future needs, they must consider data governance strategies, privacy concerns, explainability, and risk of unintended bias as they leverage digital resources in contemporary ways.

About the Research

LIMRA's Emerging Technologies Executive Task Force is publishing white papers in multiple technology-related areas to provide value to our member companies. In addition to accelerated digitization, other focus topics include data analytics and legacy platform modernization.

For this project, LIMRA and McKinsey & Company surveyed LIMRA member company senior representatives in the United States and Canada to explore their views on digital transformation. The survey was fielded in September and October of 2020 and covered the following topics:

- The digitization efforts that companies are undertaking today and in the future
- Where digitization has had the most impact
- The obstacles that companies face in implementing these solutions

- How the COVID-19 pandemic has affected customer behavior and company initiatives

For the purposes of this survey, “digitization” is the process of taking existing functions of engagement, interaction, sales, processing, collection, and disbursement, and (1) technologically enabling them or (2) creating new digital means to access and service customers (retail and workplace), stakeholders (e.g., agents, brokers, and advisors), and employees.

Individuals responding to the survey represented different areas of their companies, including: information technology, digital and business strategy, sales and distribution, product lines, and marketing. Ninety-six surveys were completed, representing 71 U.S. and Canadian companies.

Acknowledgments

This paper would not have been possible without input and support from a number of partners. We specifically would like to acknowledge McKinsey's valuable partnership with us on the many efforts of the Emerging Technologies Executive Task Force.

We also would like to thank:

- The members of the Accelerated Digitization subcommittee

- LIMRA colleagues Mike Barnett, Jonathan Clark, Vikram Kamath, Karen Terry, and Martha Mitchell for helping to shape the survey and this paper, as well as for their outstanding work leading the other Emerging Technologies Executive Task Force subcommittees
- The survey participants for their time and thoughtful responses

Participating Companies

AAA Life	FaithLife Financial*	New York Life
Aflac	Fidelity & Guaranty Life	Northwestern Mutual
AIG*	Financial Horizons Group	Ohio National Financial Services
Allianz Life	First Protective	Pacific Life*
Allstate Benefits	Foresters Financial	Principal Financial Group*
American Family Life Insurance Co.*	Gerber Life*	Protective Life*
American Public Life (APL)	Global Atlantic Financial Group	Prudential*
Amica Insurance	Guardian	RBC Insurance*
Baltimore Life*	The Hartford	Reliance Standard Life
Bestow Inc.	iA Financial Group	Royal Neighbors of America
BMO Insurance	Insurance Supermarket Inc.	Sammons Financial Group
Brighthouse Financial	Ivari	SSQ*
Canada Life*	Jackson	The Standard
Catholic Order of Foresters	John Hancock*	State Farm
CNO Financial*	Legal & General America	Symetra
Co-operators Life*	LifeSecure Insurance Company	Thrivent
COUNTRY Financial	Lincoln Financial Group	Transamerica
CUNA Mutual Group	M Financial Group*	Trustmark Benefits
Delaware Life	Manulife	Unum
EMC National Life	MassMutual	USAA
Empire Life*	Modern Woodmen of America	Wawanesa Life
Equitable	Mutual of Omaha	Wellfleet
Equitable Life of Canada	Nassau Financial Group*	Western & Southern Financial
	Nationwide*	WoodmenLife

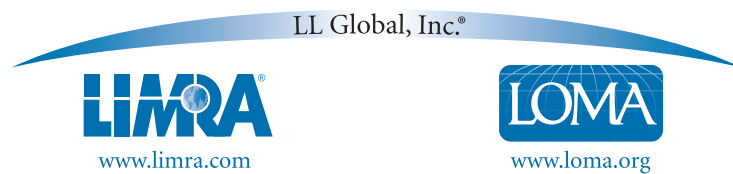
*Multiple survey responses

Appendix: A Closer Look at Digitization Initiatives

TABLE A1

Current Digitization and Future Investment, by Business Area

	DEGREE OF DIGITIZATION			FUTURE INVESTMENT (NEXT 12 MONTHS)			
	Not at all	Pilots/In pockets	At scale	Less	Same	More	N/A
MARKETING							
Individualized, personalized marketing materials	17%	63%	20%	1%	35%	58%	6%
Client decision support tools	21	56	23	2	31	64	3
SALES AND DISTRIBUTION							
Advisor/broker practice management tools	10	63	27	1	39	56	4
Virtual sales capabilities for agents/brokers	8	56	36	1	22	72	5
Customized/personalized product design processes	45	48	7	4	37	43	16
Digital quoting system	13	41	46	2	40	52	6
NEW BUSINESS							
Digital application	4	39	57	3	28	69	0
E-signature	2	35	63	1	44	54	1
Underwriting	17	43	40	1	29	61	9
E-delivery	16	50	34	1	33	63	3
ENGAGEMENT AND SERVICING							
Digital policy/contract maintenance and updates	23	56	21	2	39	58	1
Digital billing and payments	18	46	36	3	44	47	6
Website “click to chat” or “chatbot” capabilities	60	32	8	2	20	53	25
Health/wellness engagement platforms	55	37	8	1	35	31	33
CLAIMS							
Claim submission	28	47	25	3	46	36	15
Follow ups	36	47	17	1	49	31	19
Adjudication	49	36	15	1	48	27	24
Digital payment capabilities	31	30	39	1	37	46	16



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