

The U.S. life insurance industry is currently facing slow growth, primarily due to its struggle to adapt to evolving consumer behaviors and preferences. There has been a notable shift from a focus on death benefits to "living" benefits, compounded by the rise of digital commerce, which has intensified growth challenges. Life insurers are tasked with creating value propositions that resonate with consumers' concerns about lifestyle and income preservation during retirement. Over the past decade, the industry has experienced an average annual growth of less than 2 percent, alongside a significant decline in the number of life policies sold, indicating a failure to effectively engage the middle market. Key barriers to growth include poor market positioning, customer experience issues, low consumer engagement, and slow adoption of new technologies. Consumers are increasingly prioritizing their standard of living in retirement over leaving inheritances, yet the industry has not effectively communicated the value of life insurance in achieving financial goals amidst risks such as premature death or disability.

The customer experience is hindered by complex products, lengthy application processes, a distribution system that emphasizes product pushing over advisory roles, and inadequate post-sale service. Rising customer expectations, influenced by companies like Amazon and Uber, highlight the need for seamless experiences, which the life insurance sector has lagged in providing. Many consumers remain unaware of their insurance needs or how to initiate the purchasing process, underscoring the necessity for insurers to enhance customer engagement through technology.

To address these challenges, life insurers must reposition themselves to compete with asset managers by emphasizing the unique benefits of life insurance and annuities, such as guaranteed lifetime income. This involves comparing retirement products across the financial services industry, advocating for regulatory changes that support annuity offerings, and promoting financial literacy regarding retirement risks. By focusing on living benefits and retirement income, and creating a more user-friendly experience, life insurers can better meet consumer needs and stimulate industry growth.

The document outlines strategies for growth that emphasize a customer-centric approach, suggesting that life insurers should integrate their products into family retirement plans with a focus on income preservation and protection against unforeseen events. Insurers are encouraged to enhance their sales models by providing unbiased advice and fostering ongoing customer engagement rather than merely pushing products. To effectively engage consumers, insurers must develop capabilities in customer insights, education, and branding, utilizing big data for improved understanding and segmentation of consumer behavior. The importance of a seamless omnichannel experience and advanced analytics is highlighted as essential for improving customer engagement and sales productivity. Additionally, simplifying product offerings and communication is crucial for enhancing understanding of their value propositions. Digitization is presented as a key strategy for reducing costs and improving efficiency, with an emphasis on automating processes and offering digitally-based products. Insurers are advised to maximize the value of in-force portfolios through improved management strategies and exploring partnerships within a broader ecosystem to increase customer access. The document acknowledges challenges such as consumer inertia, resistance to change in distribution channels, and the need for significant investment in transformation. It concludes that while the industry faces pressures, a proactive approach to transformation is essential for remaining competitive in a rapidly evolving market.